NEWFOUNDLAND AND LABRADOR TEACHERS' ASSOCIATION

THE

bulletin

June 2014

SPECIAL EDITION

PENSIONS

Let's Get Informed!

GENERAL HISTORY • PENSION STUDIES • PLAN FUNDING • CURRENT ENVIRONMENT • PENSION REFORM

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Introduction

This special edition of *The Bulletin*, focussed entirely on pensions, is being provided to both active and retired members of the Teachers' Pension Plan (TPP) in the context of general widespread concerns across Canada over the sustainability of defined benefit pension plans, specifically with respect to the funding level and sustainability of the TPP.

The Government of Newfoundland and Labrador has identified the unfunded liability in public sector pension plans as a major priority to be addressed. Government has initiated meetings with the NLTA regarding the TPP, and with the other public sector unions who belong to the Public Service Pension Plan. It is critical that teachers receive the necessary information to have a fundamental knowledge and understanding of the TPP as these pension discussions unfold. In this special pension issue of *The Bulletin*, we have provided a synopsis of the current pension environment and the NLTA's perspective on the value of pension plans. We have also provided a historical overview of the Teachers' Pension Plan; information on the status of the TPP and associated funding concerns; a summary of pensions discussions and issues to date; the NLTA's reaction to the attack on defined benefit pension plans by employer groups and certain right wing interests; and, details on pension reform initiatives in other provinces.

We hope this special pension issue of *The Bulletin* provides valuable information, fosters greater understanding, and stimulates conversation among teachers.

Current Environment

Concerns with sustainability of defined benefit pension plans are receiving considerable media attention and pension reform is occurring throughout Canada. The market crash of 2008 had a significant negative impact on the funding levels of all types of pension plans that were invested in equity markets. At the same time, historically low long-term bond rates and low interest rates, in general, increased the actuarial liabilities of defined benefit plans, to the further detriment of pension plan funding ratios. Aging populations of employees and retirees living longer required changes to the assumptions and mortality tables used to calculate liabilities. All of these factors have put pressure on pension plans and plan sponsors struggling to maintain adequate funding in order to ensure the sustainability of the plans.

The Teachers' Pension Plan (TPP) is facing these same challenges. The NLTA has been a strong advocate for the interests of teachers and the TPP in the preliminary discussions that have occurred to date with Government. To this point, the discussions have centered around a review of various pension investment and governance models, and a discussion of plan design features and costing. Future talks are expected to focus on options related to investment, governance and plan design alternatives that will address the unfunded liability concerns. The NLTA must work with Government, the plan sponsor, to address these concerns for the good of the TPP and its members.

The NLTA is committed and has always been committed to a sustainable defined benefit pension plan for its members. The NLTA has always been mindful of and concerned about the state of the pension fund and its ability to meet the obligations to plan members. The NLTA has always acted in a responsible manner to ensure the long term benefit of the TPP for its membership. At no time in the history of the TPP has the NLTA refused to negotiate in a meaningful fashion with respect to the funding of the pension plan. At no time has the Association rejected a recommendation from Government for an increase in the contribution rate, matched by Government, that was beneficial to the long-term viability of the TPP. In the past, the NLTA has also agreed to modifications to plan benefits (both outside and inside the TPP) in order to reduce unfunded liabilities (both outside and inside the TPP). We will continue to act responsibly on behalf of teachers to meet our obligations to the TPP as established in legislation and through negotiations with Government.

NLTA Perspective on Pensions

- Employees view workplace pensions as a form of deferred compensation, a benefit earned while working but paid in retirement.
- Employers sponsor and participate in work place pension plans as part of a compensation package designed to attract and, more specifically, retain employees.
- Individuals (including teachers) make career choices partly on the basis of pension and benefits available, often sacrificing salary for the promise of a pension upon retirement.
- Pensions provide for adequate income in retirement years, which means a lower rate of poverty amongst the elderly, less reliance on government funded financial assistance, and a strong deferred tax base for government.
- Public sector pension plans, including the CPP, are highly regulated with efficient, low-cost operations and lower investment fees than RRSP arrangements, which puts more money in the hands of retirees.

Some Canadian and NL Pension Facts

- Pension plans are designed in such a manner that, for every $1 paid out in pension, $0.70 should come from investments, $0.15 from employee premiums, and only $0.15 from the employer's contributions.
- The teachers' and public sector pension plan funds in NL had an investment return of 22.28% last year (an 11.56% 5-year annual return), which resulted in a $1 B increase in the funds even after pensions were paid out.
- Over 50% of seniors without pensions in NL rely on taxpayer funded government financial assistance. By comparison, less than 5% of the province's elderly who have defined benefit pensions require such support.
- Pensioners pay taxes – to the tune of a $14 - $16 B annual contribution to the Canadian government coffers.
- Pensioners contribute $56 - $63 B annually in spending to the Canadian economy. A reduction in pensioners' income would be most keenly felt and have the greatest impact on a small market economy with a more elderly population base such as that which exists in NL.
- Pension plan funds are invested in Canadian markets and communities, providing long-term capital for investment in infrastructure, bonds, real estate, and private equity.

General History of Teachers' Pensions in NL

1892

The *Act for the Encouragement of Education* was amended to include a pension plan for teachers.

- Funded totally by teachers through contributions from salary.
- Funds were deposited in a savings account with Government paying 3% interest, and the bank paying 3% interest.

1927

A Teachers' Pension Plan was established under the *Education Act*.

- Funded by teacher contributions of 1% of salary.

1950 – 1980

The current Teachers' Pension Plan (TPP) was established in 1950, with Government as the sole sponsor.

- Mandatory enrolment for all teachers who began teaching on or after September 1, 1949.
- Option to join for those enrolled in the 1927 plan.
- Teachers paid contribution rates of 3% and 4% of pay for this entire period.
- Government did not make any matching contributions.
- The teacher contributions were placed in general revenue of the Province. Pensions were paid from general revenue. Contributions far exceeded pension amounts paid out and the excess was used to fund general provincial expenditures.

1967

Canada Pension Plan (CPP) established.

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- Decision to have TPP independent of the CPP and not integrate contributions and benefits with CPP benefits and contributions.

1980 – 1990

- *Pension Funding Act* introduced.
- Teachers' Pension Fund was established.
- Government matched contributions of teachers.
- 30 and out introduced in 1989 as an ancillary benefit and funded separately (which was known as TAPP).

1991

Teachers' Pensions Act enacted, which modified the TPP.

- Established a two tier funding mechanism with 6% matched by the employer going to the main plan and 2% matched going to the TAPP.
- Annual accrual reduced from 2.22% to 2%.
- Cessation of eligibility to purchase pre-service university years.
- Cap of 66⅔% pension accrual removed.

In Schedule D of the collective agreement, Government accepts full responsibility for the unfunded liability incurred up to August 31, 1990, including carrying costs. Additional unfunded liabilities incurred after that date are to be shared equally between Government and teachers.

1993

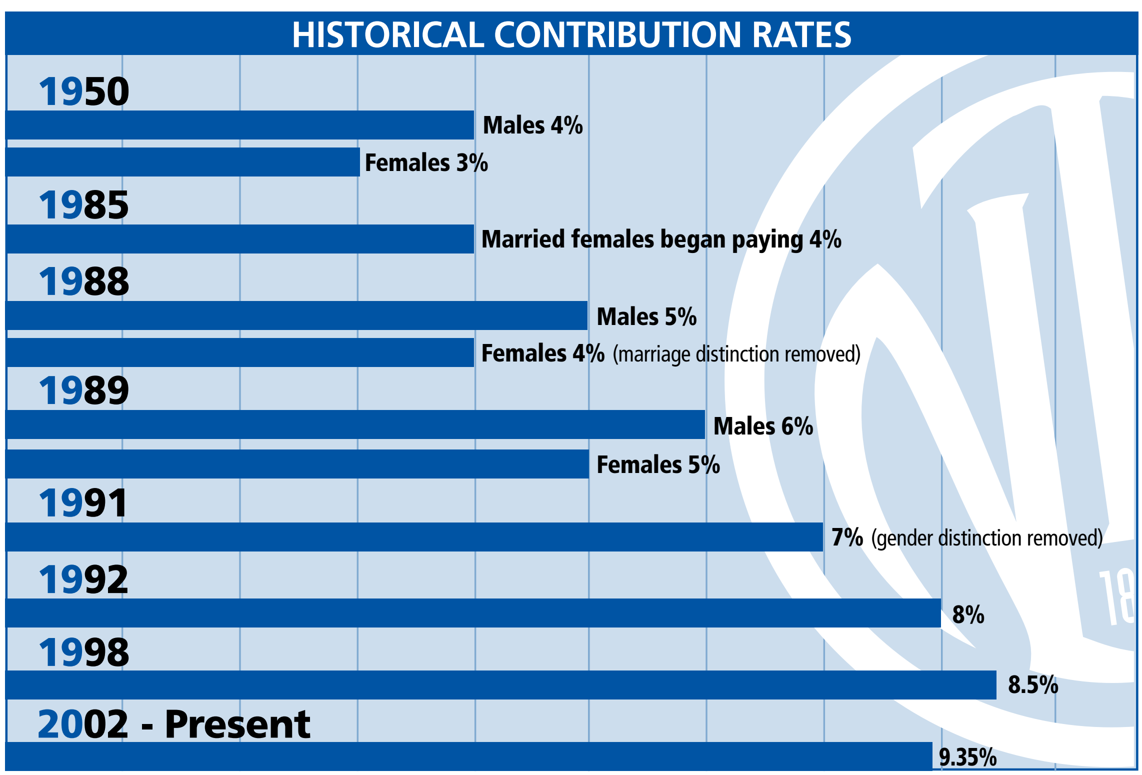
Government/NLTA Committee established to address unfunded liability.

- Committee unable to reach mutually agreeable solution.

1998

Schedule D outlines repayment by Government and modifications to TPP.

- Government begins repayment of pre-1980 debt to the TPP ($815 M plus interest).
- Contribution rates increase for teachers and Government (0.5%).



- TPP becomes integrated with CPP.
- TAPP eliminated and rolled into the Main Plan.
- Government continues to accept full responsibility for the unfunded liability incurred up to August 31, 1990, including carrying costs. Additional unfunded liabilities incurred after that date are to be shared equally between Government and teachers.
- NLTA gets representation on the Government Pooled Pension Fund Investment Committee.

2002

Schedule D of the collective agreement introduces a formal indexing program.

- Partial indexing of 60% of CPI to a maximum of 1.2% beginning at age 65 is provided to those who have retired post August 31, 1998.
- Indexing funded through an additional contribution of 0.85% matched, and indexing paid only to the extent sufficient funds are available through these additional contributions.

2006

Schedule D amended.

- $1.953 B placed into the TPP in exchange for collective agreement concessions including two-year wage freeze, reductions in sick leave accumulation for new teachers, and reductions in funding for group insurance premium.
- Special payments remaining from 2002 Agreement cease.
- Funding level of 90% reached.

2008 – Present

- Funding negatively impacted by the 2008 equity market crash; adjustments to the discount rate to reflect expected lower investment returns in the long term; and changes in mortality tables to reflect teachers living longer.
- Pension reform occurring in many jurisdictions to address unfunded liabilities in pension plans.

Pension Studies

1960 Royal Commission on Pensions recommended that:

- a trust fund be established
- teachers pay 5%
- Government make premium contributions

No action taken by Government.

1966 Royal Commission on Pensions recommended that:

- Government pay accumulated unfunded liability
- the contribution rate paid by teachers be increased and that Government make contributions

No action taken by Government.

1977 Actuarial Review recommended that:

- a pension fund be established
- contributions be increased and Government make contributions
- the unfunded liability be addressed

No immediate action taken by Government.

1984 Actuarial Review recommended that:

- contributions be increased
- the unfunded liability be addressed

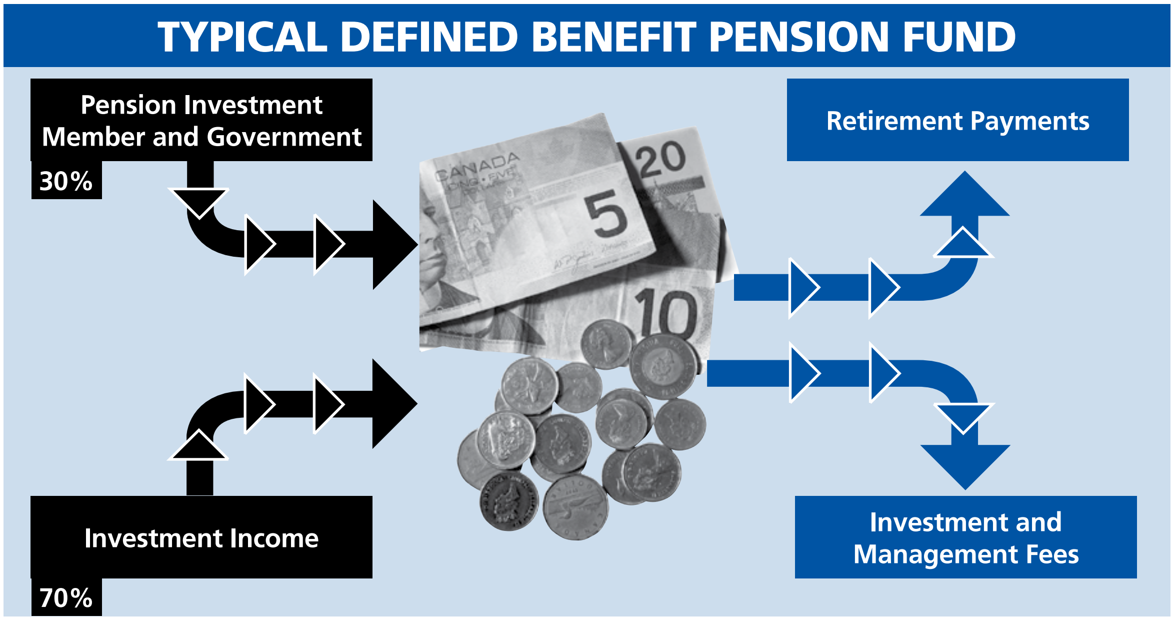
No immediate action taken by Government.

1989 Commission of Inquiry on Pensions

- made recommendations which, while not implemented in totality, led to modifications through the *Teachers' Pensions Act* (1991) which reduced the unfunded liability and improved the funding of the plan.

Actuarial Valuation Conducted Every 3 Years

An actuarial valuation is a mathematical analysis of the financial condition of a pension plan performed by an actuary. The valuation determines the financial position of the Plan and the future contribution rates needed to ensure its long-term funding. The actuary determines how much money the Plan requires in order to pay pension benefits by making assumptions about future investment returns, future inflation rates, future increases in salaries, retirement ages, life expectancy and other factors.



Pension Funding and Concerns

In simplest terms, a pension plan is funded through revenue from pension contributions and investment income earned and required to pay expenses consisting of pensions and administrative and investment costs.

The funded ratio of the plan is determined by comparing the assets of the plan (market value of the pension fund) to the liabilities of the plan (amount calculated to pay pensions and expenses).

In a perfect world, assets will equal liabilities and the plan will be 100% funded.

The table below shows the results of the most recent actuarial valuation and recent estimated funding status.

TPP ACTUARIAL VALUATION AS AT AUGUST 31, 2012

Actuarial Value of Assets ($000's)		
Market Value	2,286,180	
Actuarial Liabilities ($000's)		
Active members	1,424,530	
Deferred pensioners	36,320	
Pending terminations	10,050	
Retired members	2,883,740	
Total		4,354,640
Actuarial Surplus (unfunded liability)		(2,068,460)
Funding Ratio		52.5%

Estimated Funding Status February 2014

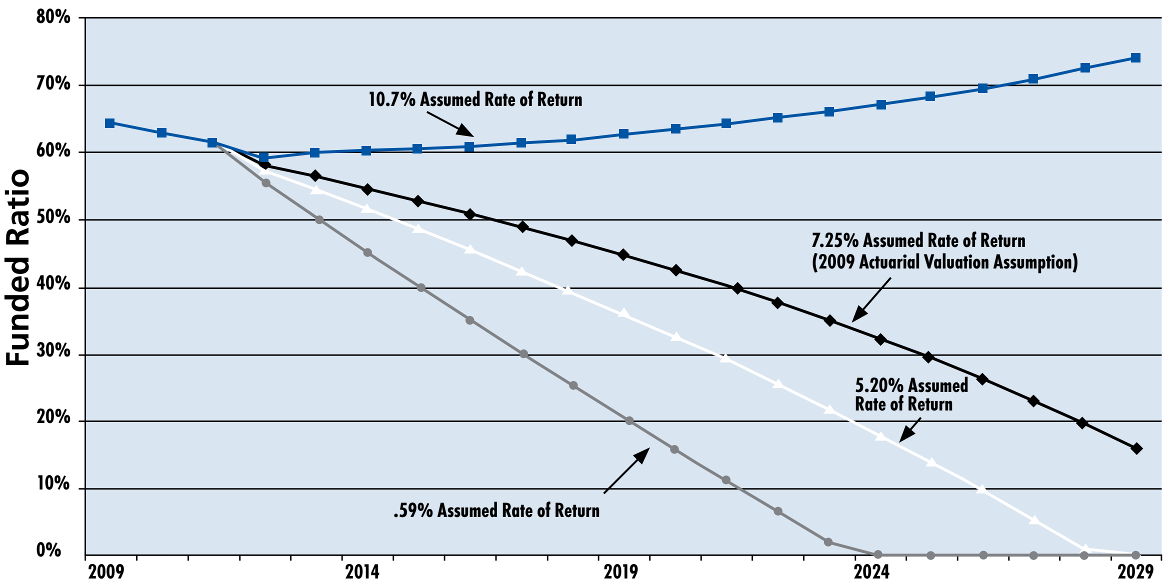
Market value of assets has significantly improved due to very positive investment returns since August 31, 2012. Updated mortality tables have increased the actuarial liabilities.

Market value at February 28, 2014 ($000's):	2,999,500
Liabilities (estimated)	4,850,000
Estimated Funding Ratio	62%

The graph below depicts the projected funding ratio under a variety of assumed rates of return on investments. The current actuarial assumed rate of return over the long term is 6.75%.

In the absence of changes, whether through increased contributions, lump sum payments by Government, decreased benefits, or a combination of these measures, the funding level is expected to decline. The long-term sustainability of the fund would be in question. In the absence of a pension fund, Government would be required to pay pensions from general revenue, which would be of major concern.

TPP Funded Ratio Projection for 20 Years
Based on December 31, 2011 Asset Value of $2,296 Billion



Attack on Pensions

While there are real and considerable funding challenges for the pension plan that Government and teachers must attempt to address, right wing groups and individuals are attempting to capitalize on these exceptional circumstances by launching an attack focussed specifically on public sector defined benefit pension plans, and on the public sector in general. Teachers, and all citizens interested in a society where seniors have a reasonable standard of living, should resist these attacks. The following are articles written by Don Ash, Executive Director of the NLTA, and recently published in *The Telegram*.

Pensions and a Reasonable Standard of Living

An attack on defined benefit pension plans in general, and public sector pension plans in particular, is occurring in this country and has spread to our province.

This attack is being promoted through the right wing agenda of the Harper government and led by the Canadian Federation of Independent Business and is now endorsed by the local employers' council. We should all be worried that the propaganda being spread and fueled by greed and disregard for the average Canadian worker will take hold in the minds of the general public.

This approach is shortsighted. Rather, we should be supporting efforts to sustain defined benefit pension plans and enhancement of the Canada Pension Plan (CPP) so that all Canadians in their senior years can avoid poverty and reliance on government subsidies.

Let's acknowledge the fact that most Canadians don't voluntarily save enough money to fund their own retirement.

That explains the current need for government assistance programs such as Old Age Security and the Guaranteed Income Security (GIS), funded exclusively by taxes to assist our seniors who did not belong to defined benefit plans or who perhaps

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worked for independent businesses that didn't care enough for their workers to participate in a retirement plan.

Of course, there are many individuals who don't have the means or circumstance to save for retirement and will always require the assistance of government and tax dollars to make ends meet in retirement — we should be proud to live in a country and province that assists these seniors.

On the other hand, workers who are members of mandatory defined benefit pension plans have usually accrued sufficient benefit through contributions and investment throughout their careers that they do not have to avail of the GIS and other government subsidies.

If the Employers' Council and the Canadian Federation of Independent Business have their way and convince enough people and policy makers to adopt their biased slant against mandatory defined benefits, the number of people reliant on government for subsidy in retirement will increase, along with an increase in poverty rates for Canadian seniors.

The creation of the CPP in the 1960s and the existence of defined benefit pension plans were instrumental in eradicating widespread elder poverty.

Without an enhancement to CPP and a commitment to existing defined benefit plans, the incidence of elder poverty as a widespread problem will reoccur. We are already beginning to see this trend. Mandatory defined benefit plans, including the Canada Pension Plan (CPP) and public sector plans, were designed to provide a defined level of income for workers upon retirement and are funded by mandatory contributions by workers which are hopefully matched by the employer as part of the worker's negotiated wages or benefits.

These contributions are invested in accordance with actuarial projections and legislated rules which are meant to ensure that the pension funds are sufficient to pay for the benefits.

Unfortunately, the economic collapse in 2008 – caused by the big banks and corporate greed incidentally – put considerable strains on these plans. Markets have recovered significantly with annual returns in excess of 20 per cent in 2013, and funding levels of defined benefit pension plans are improving.

The Employers' Council and the Federation of Independent Business are against mandatory pension plans in general, against public sector pension plans specifically, and even against improving the Canada Pension Plan benefits and claim that these are payroll taxes or funded by taxpayers.

Defined benefit public sector plans are not designed or generally funded by taxpayers, as these groups would have you believe. As an example, I belong to a pension plan and pay 9.35 per cent of my salary, matched by the employer, for this benefit.

The contributions by both me and the employer are negotiated as part of compensation for work performed, and are not gifts from the employer. In addition, you and I pay almost five per cent of our salaries, matched by our employers, to the Canada Pension Plan as part of our wages for work performed.

In total, counting employee and employer matching contributions, that is about 28 per cent of my annual salary going into pension funds every year to pay for my pension upon retirement.

We agree that pension deficits present a challenging and significant problem. A review of public sector pension plans to ensure their sustainability is probably in order.

We commend Premier Tom Marshall (in his former role as Minister of Finance) and the current government for their commitment to defined benefit plans and for seeking a collaborative solution with teachers and public sector workers to the pension funding concerns.

We further commend Premier Marshall and the government in their support for an enhanced CPP. Let's hope that the provinces can get past the shortsightedness of groups like the Employers' Council and the Harper government so that all Canadians have an opportunity to afford retirement, not just public sector workers and wealthy business owners.

Let's not buy the rhetoric that defined benefit pension plans or the CPP are unsustainable, when in fact the motivation for these statements is that some employers don't want to be required to participate in their employees' efforts to afford to retire with a reasonable standard of living.

Let's ensure that Canada remains a country where its seniors can afford to live without the indignity of poverty after a lifetime of work and contribution to society. Don Ash is the executive director of the Newfoundland and Labrador Teachers' Association.

(*The Telegram, March 4, 2014*)

Pension Plans Boost the Provincial Economy

On March 4, *The Telegram* published an article which began by announcing that "An attack on public sector pension plans is occurring in this country and has spread to our province."

On March 28, I attended a St. John's Board of Trade luncheon which featured a speaker launching such an attack. The speaker and, apparently, the Board of Trade, advocate for the elimination of defined benefit pension plans, arguing that public sector pensions should be converted into defined contribution, RRSP-type plans.

The existence of such extreme right-wing positions is not surprising. What is surprising, and disappointing, is the support demonstrated by the Board of Trade for a perspective and presentation filled with misinformation, half-truths, inaccuracy and a lack of balance. What is even more alarming is the Board of Trade's choice to completely ignore the drastic and negative implications for the economy if public sector and defined benefit pension plans were eliminated.

There are important facts about pensions that should not be ignored when considering what is best for the economy:

• Pensioners pay taxes — to the tune of a $14 billion to $16 billion annual contribution to the Canadian government coffers.

• Pensioners contribute $56 billion to $63 billion annually in spending to the Canadian economy. A reduction in pensioners' income would be most keenly felt and have the greatest impact on a small-market economy with a more elderly population base such as that which exists in Newfoundland and Labrador.

• More than 50 per cent of seniors without pensions in Newfoundland and Labrador rely on taxpayer-funded government financial assistance. By comparison, less than five per cent of the province's elderly who have defined benefit pensions require such support.

• The teachers' and public sector pension plan funds in Newfoundland and Labrador had an investment return of 22.28 per cent last year (an 11.56 per cent five-year annual return), which resulted in a $1-billion increase in the funds even after pensions were paid out.

• Pension plans are designed in such a manner that, for every $1 paid out in pension, $0.70 should come from investments, $0.15 from employee premiums, and only $0.15 from the employer's contributions;

• Pensions provide for adequate income in retirement years, which means a lower rate of poverty amongst the elderly, less reliance on government-funded financial assistance, and a strong deferred tax base for government.

• Public sector pension plans, including the CPP, are highly regulated with efficient, low-cost operations and lower investment fees than RRSP arrangements, which put more money in the hands of retirees.

• Pension plan funds are invested in Canadian markets and communities, providing long-term capital for investment in infrastructure, bonds, real estate and private equity. I have great respect for the business community and expect that business people will make decisions on the basis of factual analysis. However, I also appreciate that profit is the primary motivator for business.

I can therefore understand when groups that represent the interests of business speak against things which have an impact on profitability in the short term, despite the fact that those same programs and initiatives are good for employees and society in the long term.

Mandatory pension plans which require employer contribution, enhanced CPP benefits through increased premiums and increases in the minimum wage (all of which enable us ordinary Canadian citizens to live and retire with a reasonable standard of living and minimal reliance on government subsidized assistance) are all opposed by the Board of Trade and Newfoundland and Labrador Employers' Council.

Pensions and retirement income are very complicated affairs. Government and the groups representing pension plan members rely on the expertise of pension experts, actuaries and lawyers to advise and assist them in discussions aimed at solving the pension problem and ensuring the long-term sustainability of provincial public sector pension plans.

The government of Newfoundland and Labrador recognizes the value and importance of public sector pension plans for both its employees and the future economy of this province. Premier Tom Marshall, on behalf of the government of Newfoundland and Labrador has publicly expressed commitment to its employees and the sustainability of defined benefit plans.

In contrast, Sharon Horan, chair of the Board of Trade, and Richard Alexander of the Employers'

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Council continue to attack public sector pension plans under the guise of representing the best interests of "taxpayers."

Make no mistake — neither of these individuals nor the organizations they speak for represent the taxpayers of this province. They represent the interests of business owners and employers, and everyone should note this difference.

Horan's advice on public sector pensions is equivalent, and about as sound, as me giving advice on orthotics.

I'll leave the orthotics advice to Horan and she, in turn, should leave the advice on public sector pensions to the parties involved — government and the public sector employees who are members of these plans.

I respectfully propose that the Board of Trade and the Employers' Council should cease and desist in their ill-informed and misguided attack on public sector pension plans and on the retirees who spend their hard-earned pension dollars in the businesses owned and operated by the people the Board of Trade and Employers' Council are supposed to represent.

(*The Telegram, April 15, 2014*)

Types of Pension Plans

Defined Benefit Plans (DB)

Example – The NL Teachers' Pension Plan (TPP)

Typical Features:

• Employer sponsored and promises a specified guaranteed monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, regardless of individual investment returns.

• 'Defined' in the sense that the benefit formula is defined and known in advance.

• The pension benefit is independent of contributions or investment returns.

• Employer and employee contributions are placed in a fund and invested.

• Designed such that the fund is sufficient to pay the pension promise. Typical expectation is that 70% of pension payout comes from investment with 30% from contributions.

• Pension sponsor responsible for shortfall – referred to as "unfunded liability".

• Pension payout begins at a point triggered by age or service or some combination.

Defined Contribution Plans

Example – RRSP

• Employee and employer contributions plus earnings accumulate to provide pension income upon retirement.

• Employer incurs no liabilities except the level of contributions negotiated with the employee.

• Cost of pension is known; ultimate pension is unknown.

• Investment risk is borne by employees.

• Often an individual will obtain retirement income by using the funds to purchase an annuity from an insurance company either at retirement or thereafter.

Recent Hybrid Plans

a) Shared Risk Plans (SRP)

Example: New Brunswick Model in place for NB Nurses

• SRP is a jointly sponsored structure where all stakeholders share in risks and rewards.

• Future benefits not guaranteed; potential for benefits to increase and decrease based on funded status.

• Heavily focused on security and risk management.

• Adequate contributions and firm rules to guide management of surpluses and deficits.

• Future benefits based on career average earnings.

• Pre and post retirement indexing contingent on funded status.

b) Target Benefit Plans

Example: New Brunswick Teachers' Plan

• General concept is that employer has fixed contribution with the expectation that the benefits will be sufficiently funded.

• Flexibility is built in as benefits can be adjusted in accordance with funding levels.

• Seen as a hybrid between traditional defined benefit and defined contribution plans.

Sole Sponsorship

• One party sponsors the plan and is the sole trustee with legal responsibility for the plan under the applicable legislation.

• In the case of the TPP, Government is currently the sole sponsor.

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Joint Sponsorship

• Employees and employer share responsibility through a trustee board for plan management including benefits and investments.

• Benefits are guaranteed to the extent that Trustees maintain funding. Adjustments to benefits and contributions are made by trustees as deemed appropriate to the fiduciary responsibilities to the plan.

Teacher Pension Reform in Canada

Atlantic Provinces

New Brunswick

Legislation introduced in May 2014 modifying the existing defined benefit plan to create a 'new' target benefit plan effective July 1, 2014.

Features:

• Employee and employer premium contributions are increased.

• Career averaging (enhanced) is used as the basis for calculation of benefit.

• Eligibility to retire for new plan members increases by 2 years.

• Indexation for actives and retireds reduced from 100% CPI (max 4.75%) to 75% CPI (max 4.75%).

• Plan will be 100% funded as of conversion.

• Plan will be joint trusteed, with teachers and Government as partners.

• All other features of old plan remain, e.g. accrual rate, survivor benefits, disability provision.

Specific Details:

• All benefits accrued to the date of conversion to the new plan are maintained.

• All current members of the 'old' plan will be 'eligible' to retire at the same time as under the new plan, but the dollar amount of pension will be less under the new plan compared to the old plan. The further an employee is from retirement, the greater the amount of difference from old to new.

• The benefit formula will be based on an enhanced career average rather than the best 5 year average. Effectively, the annual salaries used in the calculation of benefit will be increased each year throughout the career in accordance with CPI for that year. The pension amount accrued (based on the 5 year average) to date of conversion to the new plan will be maintained and also indexed each year going forward, thereby maintaining benefit already accrued.

• Government's contribution rate moves immediately to 12.5%. The teacher contribution rate will increase 0.5% per year until it reaches 10.5%, at which point Government's rate will have been reduced to 10.5%.

• A reserve fund will be established from the extra contributions and any surplus investment returns, such fund to be used to smooth any funding shortfalls that may occur in actuarial valuations.

Prince Edward Island

Legislation introduced in December 2013 modifying the existing defined benefit plan to become a target benefit plan effective January 2014.

Features:

• Government remains the sole sponsor and guarantor of the plan.

• Contribution rates increase for employer and employee.

• Career averaging (enhanced) is used as the basis of calculation of benefit.

• Eligibility to retire increases by 2 years, effective 2019.

• Special payments being made by Government to fund the plan to 122%.

• 3 year transition period 2014, 2015, 2016 where indexing for retireds is fixed at 1.5% and for active career average at 0.9%, thereafter indexing at CPI plus 0.5% is conditional on plan funding level.

Specific Details:

• Surplus funding is to be used to fund indexing, conditional on funding levels being maintained.

• If funding level drops below 110%, then employee contributions increase by 1% and employer contributions by 2%, and indexing to retirees is suspended. If funding drops below 100%, then career average indexing ceases, and employer increases contribution by 2%. If funding is projected to stay below 100% for 5 years, Government makes special payments (promissory note) to bring back funding to 100%.

• Eligibility to retire was minimum 55 years of age, with at least 30 years of pension service; otherwise at age 60. Effective 2019 eligibility will be minimum 55 years of age, with at least 32 years of pension service; otherwise age 62.

• The benefit formula will be based on an enhanced career average rather than the best 5 year average. Effectively, the annual salaries used in the calculation of benefit will be increased each year throughout the career in accordance with CPI for that year, plus 0.5%, conditional on the funding level of the plan. The pension amount accrued (based on the 5 year average) to date of conversion to the new plan will be maintained and also indexed each year going forward conditional on the funding level, thereby maintaining benefit already accrued.

Nova Scotia

The Nova Scotia Teachers' Pension Plan became joint trusteed with Government and teachers as partners in 2006.

• Conditional indexing was introduced, with indexing paid, conditional on the funding level of the plan.

• The plan is currently underfunded and further action is anticipated to address the underfunding.

Rest of Teacher Plans in Canada

Quebec

• Significant underfunding exists but no action taken to date.

Ontario

• Ontario Teachers' Pension Plan is joint trusteed with Government and teachers as partners.

• Premiums have been increased to maintain funding status (approximately 12% matched by employer).

• Conditional indexing has been implemented based on funding level of the plans.

• Currently the OTPP is in surplus for the first time in a decade.

Manitoba

• Special payments were made by Government.

• Indexation is conditional on the funding status of the plan.

Saskatchewan

• 'Old' teacher plan was closed, and Government has assumed responsibility to pay pension.

• A 'new' plan has been established which is owned and sponsored by the Saskatchewan Teachers' Federation. To maintain funding status, the teachers as trustees, must consider measures to ensure adequate funding.

Alberta

• Payments made by Government to address unfunded liability.

• Government considering pension reform for public sector plans to reduce risk for employer.

British Columbia

• Joint trusteed with BCTF and Government.

• Indexing conditional on funding level of Inflation Adjustment Account.

Northwest Territories, Nunavut and Yukon

• The teachers in each of the territories are part of the federal superannuation, and are subject to recent reforms which include new employees working longer to qualify for pension.

Conclusion

A 2013 report by Mercer (actuarial firm) commissioned by the Government of NL concluded that the unfunded liability is expected to grow given current contributions, plan design, and assumptions. It further concluded that significant changes, whether through increased contributions, lump sum payments by Government, or employee benefit reductions must be made and investment governance of the plan must be improved if the plan is to be financially sustainable in the long run.

It is in this context that Government and the NLTA will be engaged in pension discussions. Meetings will be arranged with teachers early in the fall of 2014 to allow opportunity for information to be provided to teachers, and questions to be answered. We encourage all teachers, active and retired, to attend these information sessions, when provided in your area. A schedule of these sessions will be provided at a later date.