

COMMUNIQUÉ



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PENSION UPDATE

Jointly Sponsored Pension Plan (JSPP) Agreement Reached

On March 5, 2013 the *Globe and Mail* leaked a story suggesting that OTF was close to inking a deal with the Government that would freeze Government contributions to the Teachers' Pension Plan (Plan) for the next five years. Where did this come from? Why would OTF agree to such an arrangement? Isn't the Plan jointly sponsored and jointly funded? The following summary provides answers to these questions.

The 2012 Ontario Budget stated the Government's plan to freeze its contributions to public sector pension plans during the period 2013 to 2017 (the Freeze Period). Determined to get its fiscal house in order, the Government threatened to legislate the contribution freeze if necessary.

The JSPP consultations that followed led to negotiated agreements (not legislation) with three other JSPPs (HOOPP, OPTrust and CAAT). With joint governance, OTF and the Government have to agree to all Plan changes. Therefore, recognizing that there would be a de facto cap on Government contributions to the Plan during the Freeze Period, OTF proposed the following protections for Plan members:

1. a one-year extension to the normal requirement to file a funding valuation every three years—this will provide four years of stability for contribution rates and benefits (until 2016) despite the current economic climate;
2. a lower limit (than what the Government had proposed) on benefit reductions that may be necessary to address funding deficits (if any) during the Freeze Period, before Government contributions will be increased further;
3. a credit, towards the benefit reduction limit, for certain changes made in the 2012 valuation; and
4. the right of Plan members to use future surpluses, to compensate for benefit reductions that may be necessary during the Freeze Period—this will preserve the symmetry that is inherent in the joint cost-sharing structure of the Plan.

Unfortunately, a final agreement could not be reached by the October 22, 2012 deadline that had been imposed, and discussions were suspended while the two parties worked towards the filing of a 2012 valuation for the Plan. As part of the 2012 filing, a *Communiqué* distributed to members in late January stated that: "OTF continues to examine the possibility of a JSPP agreement and whether it would also be in the best interests of Plan members."

Since the 2012 valuation was filed on February 28, the Government has agreed to the objectives that OTF set out to achieve during the JSPP discussions, and a JSPP Agreement has now been signed.

