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COMMUNIQUÉ

OTF FEO

March 20, 2013
Volume 18 No. 7

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PENSION UPDATE

JSPP Agreement - Your Questions Answered

We have had a few questions from members regarding the JSPP (Jointly Sponsored Pension Plan) agreement reached between OTF and the Government of Ontario. We understand why members might be confused; this is an unprecedented type of framework and may seem a little confusing, but it is good news for members of the OTPP. We will try to explain why in very general terms.

Because our pension plan (OTPP) is jointly sponsored, all decisions regarding benefits and contributions must be agreed to by both parties—OTF and the Government. OTF cannot increase contributions unilaterally nor can the Government cut benefits unilaterally. Our Plan is a partnership.

When the Government tabled its 2012 budget last spring, it was clear that the Government was unwilling to pay more to the various pension plans in Ontario to which it contributes. We learned early on in our discussions, however, that the Government would meet its obligations under the 2011 filing agreement and match the scheduled increases currently being phased in. It was clear that the Government did not want to increase contributions beyond the agreed increases for a five-year "freeze" period (2013-2017).

Given the Government's goal of balancing the budget, it was highly unlikely the Government would agree to further contribution increases, so OTF's goal was to get something in return for this reality. In agreeing to a JSPP framework, OTF made several gains for Plan members.

The extension of the mandatory filing date by one year is very significant. It allows the Partners the flexibility to wait another year to file. While this doesn't guarantee that we can file at a time when the Plan is in balance, it provides the Partners with more options. The Partners can always still file in any year up to 2016 if the funded status of the Plan makes filing a prudent option.

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The JSPP framework also reinforces the partnership—or symmetry of the Plan—by allowing OTF a first call on surplus later if benefits do need to be reduced in the five-year "freeze" period. If or when the Plan is in surplus in the future, and if benefit reductions must be made during the freeze period, OTF will have first call on surplus equivalent to the amount of the reduction, for future Plan improvements.

Lastly, if a valuation is filed (during the "freeze" period) at a time when the Plan is in deficit and benefit reductions are required, the agreement includes a cap on the maximum amount by which benefits can be reduced. The financial value of changes made in the recent 2012 valuation count toward that total, thus limiting future benefit reductions which could be required. We also remind members that accrued pension benefits remain protected by legislation.

Every year, the Plan is valued. In recent years we have experienced funding deficits. No guarantee can be made as to whether the Plan's funded status in the next four years will show deficits or surpluses. In the event the fund balances or has a surplus, it is good news for Plan members, and the Partners have the option to file a valuation. In the event a deficit filing must take place before the five-year "freeze" period is up, the JSPP agreement provides some protection in terms of the magnitude of any benefit reductions and provides provisions for additional surplus credit to Plan members in the future.

Thus, the JSPP Agreement provides the Government with the assurance contributions will go no higher for five years and provides Plan members with protection through the benefit reduction limit, through a call on future surpluses and by the extension of the mandatory filing deadline.