

PENSION REVIEW PROCESS

Here are the main points brought up by the General Secretary at the Board Workshop on Saturday, September 28th with some additional commentary provided:

Every province has already made changes, or is looking at changes, to public sector pension plans. Even Alberta is making major changes to its public service pension plans, despite being Canada's richest province.

In the past, the PEI Government did not pay its fair share into the pension plan. Since accounting rules were different back then, it didn't always contribute to the plan because it did not have to record that debt.

The amount owed by Government was established in the mid 1990's and in 1995 it committed approximately \$130 million into the TSF (the Plan) over a ten-year period. In 2005, it committed another \$160 million plus interest.

The Government has a policy to keep the Plan funded at 90% (going concern basis). In 2008, a valuation was done and the Plan was only funded at 79%. The government put in roughly \$53 million, which was the point where it put enough money into the plan to pay for its "past sins" and went beyond what it had owed.

In the 2011 valuation, the Plan was down to 76.9% funded. The government had to make another payment of over \$80 million, which it has committed to do.

Two current aspects that will drive up the cost (liability) of the Plan in the next valuation in 2014 are the discount rate (the target our investments must reach) and mortality tables (how long people are living).

The projection for extra contributions for the Government going forward show that the Government may have to make up a combined \$450 million in extra payments to pay for the funding shortfall that is likely to occur for both public service Plans during the 2014 valuation.

The risk to Government is increasing over time and the special payments are going to have to increase unless something changes.

The Government is willing to make extra payments, it just wants more predictability and less risk for how high the payments may go.

The Government was/is meeting with all the unions involved in the two largest public sector pension plans (TSF and CSSF). There is a working group and a steering committee that were supposed to work to come up with solutions. The unions (including the PEITF) hired their own actuary to give advice to the unions during those meetings.

The discussions have not progressed as fast as the Government would like. The Government's timeline is for the fall sitting of the Legislature, so the Government proposed its own changes to the Plans.

Our initial plan was for our members to vote on any changes, but there are no choices to be voted on.

The current proposal put forth by the Government is a type of target benefit plan where they would guarantee the "base benefit".

The details on this new plan type are still being worked out and discussed. We are still not sure what the exact changes will look like.

Any changes the Government has proposed are not retroactive.

There is nothing in the proposal that would cause teachers to retire right away.

We have diverged away from the other unions to try and do what is best for the teachers' Plan. The PEITF has recently hired another actuary to give advice just to us and concentrate on the TSF only.

Please note:

All unions, including the PEITF, recognize that there are significant challenges facing the public sector pension plans and something needs to be done to protect the Plans on a go-forward basis.

The changes currently proposed did not come from the PEITF, but from Government. The Government, to its credit, continues to allow for discussions on its proposal and is attempting to create a Plan it feels would best mirror the existing benefits for Plan members.

Again, we have hired a well-respected actuary (pension specialist) who has over thirty years of experience working with both employers and employees involved with pension plans. He is providing us with guidance and advice as we progress through this process.

The Federation will continue to inform teachers as concrete information becomes available.