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There is Work Still to be Done on Pension!

It has been roughly a year since we saw the major changes to the Teachers' Superannuation Act, which is the teachers' pension plan. There were several presentations delivered to PEITF members to explain the changes and the impact those changes will have on retirement. Hopefully now, teachers have a good understanding of the impacts.

While the PEITF was not in support of the changes to the plan, we were able to convince the Government to fund our plan at the 122% level. This is up significantly from the 117% original proposal. This increase in funding means tens of millions of dollars more in the plan that, in return, means more secure indexing for active members and retirees for a longer time. The exact amount of extra contribution will not be known until our Actuaries complete the final valuation from the old plan. This valuation will not be finished prior to the newsletter going to print.

One major change and part of the reason it is taking so long is the plan will now have an updated mortality table. A mortality table shows the rates of death occurring in a defined population. The last table did not have an accurate reflection of how long our members are living, which meant that prediction of the true cost of the plan was not accurate. It was vital that we use an updated mortality table before the Government topped the plan up to make sure we were truly at 122% of base funding (not including indexing). Not only were we able to get a new table, we were able to get a mortality table based on Canadian public service that has some influence by teachers on PEI. This change was important because teachers in general live longer than the average Canadian.

While most people would think that all the important work was done at that time, the truth is that the Federation was still working with Government to change the structure of the

governance of the plan. Two separate groups run the plan. One group is the Teachers' Superannuation Commission, who advises the Minister on plan issues. This group makes recommendations on the governance of the plan. There is also a separate group called the Master Trust that looks after the investments of the plan. These two groups did have some commonality of members, but there was a definite disconnect. The Government is still ultimately responsible for the plan as there are requirements for the Government to top the plan up if it falls below 100% funding for an extended period.

In the past, although the Federation owned roughly one-third of the assets of the plan, we only had one seat at the Master Trust table for the decision-making around the assets (investments). The lack of seats was not a huge issue for us, because regardless on how the plan performed, the Government would always top the plan up to 90% after each valuation. In short, the investments did not matter much, but this has now changed.

In this new world of pensions, the investments are omnipotent, and the Federation has demanded more seats at the investment table. We now have increased skin in the game, and we need to ensure that the assets of the plan continue to be looked after accordingly. Through the changes, we were able to secure a much greater representation on the investment side through the Master Trust.

The Master Trust hires professionals to look after the investments, but the trustees still influence the types and mix of investments that the fund will utilize as well as the hiring of proper managers and other professionals. These changes to the governance that give the PEITF more control were legislated during the fall sitting of the legislature.

The pension plan will continue to evolve, and while the major changes are done, there is still more to do around governance. The Federation and the Teachers' Superannuation Commission will continue to update you on the changes taking place. 