

Backgrounder

PENSION

Our pension plans (TPP and OMERS) are outside the scope of collective bargaining; however, the government's direct role as a partner in TPP and as a member-employer in OMERS motivated it to comment on the cost of public sector pension plans in its budget. Claiming that "the cost of pensions would nearly double between this fiscal year and 2017-18," the government attempts to justify an approach to dealing with future funding shortfalls by resorting exclusively to reducing plan benefits for contributors.

"In the case of a deficit, plans would be required to reduce future benefits or ancillary benefits before further increasing employer contributions."

The TPP is an example of a jointly sponsored plan. By law (The Teachers' Pension Act) it is a "partnership". Teachers and the government each contribute equally and share equally in risks and rewards. Surpluses permit OTF to improve benefits on behalf of contributors. Deficits require the partners to take joint responsibility for restoring the plan to a fully funded position through either increased contributions and/or benefits changes. There are a number of benefits embedded in how we earn our pensions and how we receive them:

- a formula for a defined benefit (promise) by which we earn a full 2% credit for every year we work and contribute;
- a pension calculated on our five highest annual salaries and
- other benefits which have been purchased with our share of surpluses since the partnership was formed in 1990, including reducing the penalty for early retirement; lowering the sum of age and service required for an unreduced pension (from 90 to 85); creating a 10-year guarantee; and implementing a disability contribution waiver.

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The TPP is, by law, periodically required to show that it has enough assets to cover the cost, based on a 70-year projection, of future pensions earned by all current members. Since 2003, the projected cost has grown faster than plan assets. Historically low interest rates, losses by the TPP in 2008 for which we are still paying, and an aging demographic all contribute to these rising costs. We know, for instance, that current contributors will live even longer than today's retirees. We must fund the plan to keep the pension promise to everyone.

OTF's agreement to the introduction of Conditional Inflation Protection in 2009 demonstrates our willingness to be an equal partner in ensuring future pensions. If funding shortfalls are paid for only through the "adjustment" of the benefits to members, the government must override the equal Partnership enshrined in law and contributors will pay a price that may include:

- pensions calculated on lesser salaries or lower credit;
- a longer career to qualify for a pension;
- periods of prolonged illness compounded by less pay;
- reduced pension credit and
- the cost of ongoing contributions.

Whatever the price, only the Teacher Pension Act stands between us and a government bent on making us pay. In de-stabilizing the Partnership, we will be returned to the era when the Ontario government had exclusive governance of the plan and complete control of our pension futures.