



**PUBLIC SERVICE
PENSION PLAN REFORM
AGREEMENT**

Public Service Pension Plan Reform Agreement

THIS AGREEMENT dated as of the 2nd day of September, 2014.

BETWEEN: THE ASSOCIATION OF ALLIED HEALTH PROFESSIONALS

 THE CANADIAN UNION OF PUBLIC EMPLOYEES

 THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL
 WORKERS

 THE NEWFOUNDLAND AND LABRADOR ASSOCIATION
 OF PUBLIC AND PRIVATE EMPLOYEES

 THE NEWFOUNDLAND AND LABRADOR NURSES' UNION

 (collectively the "Unions")

AND: HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND
 LABRADOR, as represented by the Premier and Minister of
 Finance

 ("Government")

(Each Union and Government being collectively referred to as the
"Parties")

Whereas:

- the Government has stated its intention to revise the terms and conditions of the Public Service Pension Plan (the "PSPP" or "Plan") to reduce and eliminate the unfunded pension liability of the Plan within 30 years and to ensure the future of the Plan
- the Government is engaged in negotiations with the Unions and other plan members in respect to potential changes to the Plan
- The Government and the Unions are committed to protecting the defined benefit structure of the Public Service Pension Plan and sharing responsibility for the governance of the Plan through joint sponsorship and joint governance;
- the Government and the Unions have agreed to continue negotiations towards a comprehensive plan to revise the structure and operation of the Public Service Pension Plan, with certain elements of arrangement deferred to the negotiation and finalization of relevant documents
- the Government and the Unions wish to establish the framework for the conclusion of the finalization of relevant documents and the implementation of changes to the Public Service Pension Plan

In consideration of the mutual covenants in this agreement, the Parties agree as follows:

1. The Parties agree that the following represents the agreement with respect to changes to the calculation and benefits under the PSPP (the "Benefits Changes"):

1.1. Pension Calculation Formula:

1.1.1. Pensions will be calculated for past and future service.

1.1.2. For the purposes of this Agreement:

- (a) "deferred pensioner" shall have the meaning under the *Public Service Pension Act*;
- (b) "existing employee" means an employee employed on or before December 31, 2014;
- (c) "future service" means service from and after January 1, 2015;
- (d) "past service" means service up to and including December 31, 2014; and
- (e) "service" means pensionable service as defined under the Plan;

where, in the event that implementation of the changes under this Agreement becomes effective after 1 January 2015, the dates in (b), (c) and (d) will be adjusted to a day that is the first day of the next month subsequent to the date of such implementation.

1.1.3. For future service, pensions will be calculated by using the best 6 years of average pensionable earnings.

1.1.4. For past service, pensions will be calculated by using the higher of: the frozen best 5 years of average pensionable earnings (calculated up to the effective date (January 1, 2015)), or the best 6 years average for all past and future service.

1.1.5. Indexation for future service will be suspended.

1.1.6. These changes will be effective January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).

1.2. Early retirement with unreduced pension:

1.2.1. For existing and new employees and deferred vested members, the age of unreduced early retirement will be increased to 58 years of age with 30 years of service or 60 years of age with 10 years of service.

1.2.2. These changes will be effective January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).

1.3. Early retirement with a reduced pension:

- 1.3.1. For existing and new employees, eligibility for reduced early retirement will increase to 53 years of age with 30 years of service or 59 years of age with 29 years of service. Employees will still be eligible for an actuarially reduced pension at 55 years of age with 5 years of service.
- 1.3.2. These changes will be effective January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).

1.4. Transition

- 1.4.1. The application of 1.2 and 1.3 above is subject to a five year transition for existing employees.
- 1.4.2. The transition period shall commence January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).
- 1.4.3. Any existing employee who qualifies for an unreduced retirement during the transition period under current PSPP provisions will be allowed to retire with an unreduced pension at any point in the future.
- 1.4.4. Any deferred pensioner who qualifies for an unreduced retirement during the transition period under current PSPP provisions will be required to retire with an unreduced pension at that time.
- 1.4.5. Any existing employee who attains 30 years of service, prior to the end of the transition period, will be allowed to retire with an unreduced pension upon attaining age 55 or later.
- 1.4.6. Any existing employee or deferred pensioner who elects to retire with a reduced pension prior to the end of the transition period, will be allowed to retire pursuant to the current PSPP provisions.

1.5. Contribution Rate Increases:

- 1.5.1. The Parties acknowledge that there will be a 2.15% matching (employee and employer) contribution increase on all pensionable earnings up to the Years Maximum Pensionable Earnings (YMPE) and a further 1.1% matching (employee and employer) contribution increase on all pensionable earnings above the YMPE.
- 1.5.2. The revised matching (employee and employer) contribution rates shall be 10.75%, 8.95%, 11.85% based on pensionable earnings up to YBE, between YBE and YMPE, and above the YMPE respectively, effective January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).

1.6. Other Post-Employment Benefits currently administered by Government (“OPEB”):

- 1.6.1. Subject to this Agreement, the qualifying requirements for OPEB for all employees shall be increased to 10 years of service and pension eligibility.
- 1.6.2. Government has advised the Unions that, simultaneous with this Agreement and the implementation of the changes set out herein, notwithstanding whether they are or are not eligible under the current plan, deferred pensioners shall not be eligible for OPEB except for deferred pensioners who become pension eligible to retire and retire during the five year transition period.
- 1.6.3. There shall be a transition period for the qualification for OPEB which shall commence January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act).
- 1.6.4. If an existing employee:
 - (a) becomes eligible for an unreduced pension during the transition period, the qualifying period for OPEB for that employee shall be five years of service; and
 - (b) becomes eligible for a reduced pension during the transition period and retires during that period, the qualifying period for OPEB for that employee shall be five years of service.
- 1.6.5. Current members of the GMPP who may transfer to the PSPP may qualify for OPEB depending on whether they otherwise meet pension eligibility requirements and have a minimum of 10 years of service. However, if an existing employee who is a GMPP member transfers to the PSPP during the transition period, the qualifying period for OPEB for that employee shall be determined in accordance with 1.6.4.
- 1.6.6. Employees terminating employment after January 1, 2015 or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act) will have to be pension eligible and retire at the time of termination in order to qualify for OPEB.
- 1.6.7. The Parties acknowledge that these changes will require legislative amendment to be effective. In addition, amendments to the respective collective agreement language will be required and the Parties agree to make such amendments.

2. The Parties agree that, subject to section 6, the following provisions of this section 2 represent the agreement of the stakeholders with respect to changes to the structure and control of the PSPP (the “Structure Changes”):

- 2.1. There will be a Joint Sponsorship and Trust arrangement established for the PSPP as follows:

- 2.1.1. The trustee and Plan administrator of the PSPP will be an independent corporation (the "Trustee Corporation"). The Trustee Corporation will not be a Crown corporation.
- 2.1.2. The two Sponsors of the Plan (a) the Government and (b) the members of the PSPP, as represented by the Unions and otherwise for non-Union members (structure to be determined) (the "Sponsors"), shall be responsible for future plan design changes and shall make decisions by their common agreement. The PSPP shall not be terminated, wound-up or converted during the 30 year period following the issuance of the promissory note except by the unanimous agreement of the Sponsors.
- 2.1.3. The framework for the Trustee Corporation, including ownership structure, numbers of directors, chair(s), appointment process, voting, quorum and procedural rules (the "Framework") will be agreed to by the Parties and may be implemented through legislation as required to implement this Agreement.
- 2.1.4. The Framework shall provide that:
 - (a) the Board of the Trustee Corporation (the "Board") shall be composed of representation by the two Sponsors, (a) the Government and (b) the members of the PSPP, as represented by the Unions and otherwise for non-Union members (structure to be determined);
 - (b) The Board shall be responsible for the administration and investment management for the Plan, which functions it may retain or transfer and delegate, in whole or in part, to others; and
 - (c) The voting requirements of the Board will be such that, in addition to any other voting requirements which may be established in the Framework Agreement, resolutions of the Board shall not be adopted unless they receive the affirmative votes of a majority of the Union appointees to the Board and a majority of the Government appointees on the Board.
- 2.1.5. An agreement will be reached between the Parties establishing a funding policy with respect to how to respond to actuarial surpluses and deficits at prescribed intervals (the "Funding Policy"), provided that the Funding Policy shall not require the reduction of accrued benefits and shall not contain any contribution cap, other than required by the Income Tax Act (Canada) or the Canada Revenue Agency. The Funding Policy will authorize and require actions in the administration of the Plan upon triggering events related to actuarial surpluses and deficits in the Plan; however, the Sponsors may agree to financially equivalent alternative solutions.
- 2.1.6. Current participating employers, as long as they exist, will continue to participate in the Plan but the Parties acknowledge there are employers with the statutory authority to withdraw from the Plan.
- 2.1.7. Legislation will provide:

- (a) for the implementation of the arrangement, including the transfer of the PPSP to the Trustee Corporation, and provisions for implementation of the Framework in legislation as required to implement this Agreement, as noted above;
- (b) that actuarial surpluses and deficits shall be shared equally between Government and Plan members;
- (c) that the Trustee Corporation as administrator, or any administrator retained under 2.1.3(b), will be required to comply with the Funding Policy; and
- (d) for amendments if required to implement 2.1.5 above.

2.2. Government's liability for deficiencies with the PSPP under Joint Trusteeship will be as follows:

- 2.2.1. There will be no Government guarantee of any deficiency in the PSPP. The deficiency guarantee in Section 9 of the *Pensions Funding Act* shall be amended to exclude the PSPP.
- 2.2.2. Government's sole liability with respect to the PSPP will be to contribute to the PSPP in accordance with this Agreement, legislation that is supplemental to this Agreement and the Funding Policy.
- 2.2.3. Government shall amortize \$2.685 billion over 30 years in equal annual amounts of \$195 million, payable in monthly installments. Those payments shall be fixed and made regardless of the funded status of the PSPP in the future. The payments shall be considered as an asset of the Plan. Government of Newfoundland and Labrador shall provide a promissory note payable that contains these terms, and any other terms agreed between the Parties, to the Trustee on behalf of the Plan.
- 2.2.4. Actuarial surpluses and deficits shall be shared equally between Government and plan members.

3. The Parties acknowledge that implementation of the arrangement set out above will require:

3.1. Further agreements, including:

- 3.1.1. Agreement as to the Framework for the Corporation per section 2.1.4, including any requirements for the implementation of all or part of the Framework in legislation;
- 3.1.2. Agreement as to the Funding Policy of the Corporation per section 2.1.5; and
- 3.1.3. and otherwise as may be required.

3.2. Legislative changes, including:

- 3.2.1. Amendments to the *Public Service Pensions Act, 1991* to provide for the implementation of the Joint Trusteeship, including:

- (a) Legislation as required to implement this Agreement for the Framework of the Corporation;
- (b) Provision that actuarial surpluses and deficits shall be shared equally between Government and the plan members;
- (c) Legislation for the transfer of the PSPP to the Corporation as Trustee;

3.2.2. Amendment to Section 9 of the *Pensions Funding Act*;

3.2.3. Amendment to the *Pension Benefits Act* to fully exempt the PSPP from the Act;

3.2.4. Amendments as may be required to authorize Government's payment commitment in 2.2.3 above, including the execution and delivery by Government of the promissory note evidencing the commitment; and

3.2.5. otherwise as may be as required to implement this Agreement.

4. The Parties acknowledge that the implementation of the changes to the PSPP contemplated herein shall be subject to the following:

4.1. The Benefits Changes shall be conditional upon the following:

4.1.1. The passage by the House of Assembly and proclamation of the necessary legislative amendments to provide for:

- (a) implementation of the Benefits Changes (including those additional increases to matching contribution rates for all members and employers as required to reach the amounts specified in 1.5.2); and
- (b) the execution and delivery by Government of the promissory note evidencing the commitment in 2.2.3 above,

which, assuming completion of both prior to 31 December 2014 shall be effective as of 1 January 2015, or, if later, as of the first day of the next month subsequent to the date of adoption of such amendments.

4.1.2. The delivery by Government to the Trustee for the benefit of the Plan, to be effective as of January 1, 2015, or, if later, as of the first day of the next month subsequent to the date of the enactment of amendments to the *Public Service Pension Act* (the Act), of a fully enforceable promissory note (transferable to the Corporation upon its establishment) fulfilling the commitments in s. 2.2.3 above.

4.2. The Structure Changes shall be conditional upon the following:

4.2.1. The negotiation and execution by the Parties of the Framework and the Funding Policy, and any other relevant agreements as may be identified by the Parties as being necessary. The Parties agree to commence negotiations with the intention of finalization by 31 October 2014. If the Parties do not finalize these agreements by 31 October 2014, negotiations between them shall continue until terminated by

either party in writing. If negotiations are terminated, this Agreement is of no force or effect and none of its provisions shall be implemented.

4.2.2. The passage by the House of Assembly and proclamation of legislative amendments identified in Section 3.2 as required for the implementation of this Agreement; and

4.2.3. The creation of the Corporation as contemplated by the Framework.

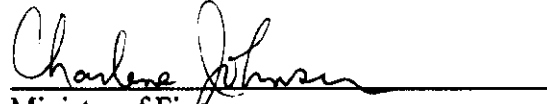
and shall be effective from January 1, 2015 or, if later, the last of these events.

5. The Parties acknowledge that the changes to the PSPP set out in this Agreement, including the Benefits Changes and the Structure Changes, as well as the financial commitments, including the delivery of the Promissory Note and the increase in matching contributions, all as required in accordance with this Agreement, represent a comprehensive arrangement and are conditional upon all parts of the arrangement contemplated by this Agreement being completed. In the event that either the Benefit Changes or the Structure Changes, or the financial commitments (including the delivery of the promissory Note), are not implemented in full and in accordance with this Agreement, by the date which is six (6) months from the Date of this Agreement, this Agreement shall be null and void.
6. The Parties have entered into this Agreement to provide a process whereby the revisions to the PSPP can be finalized in accordance with the Benefits Changes and the Structure Changes as agreed between the Parties above. Nothing in this Agreement obligates any Party ultimately to enter into, enact, proclaim, promulgate or pass, as the case may be, any of the conditions precedent in Section 4 herein, nor does a failure to do so or to otherwise comply with this Agreement in whole or in part give rise to any rights or remedies in favour of any of the other Parties to this Agreement.
7. This Agreement shall be subject to the laws of Newfoundland and Labrador and the Parties shall attorn to the jurisdiction of Newfoundland and Labrador courts.
8. This Agreement sets out the entire understanding of the principles agreed to and supersedes all prior understandings, discussions, proposals, representations or other forms of communication among the Parties relating to the proposed PSPP changes.
9. This Agreement may be executed by the Parties in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which when together shall constitute one and the same Agreement. A facsimile of a counterpart executed by a Party shall be acceptable evidence of the execution by that Party of that counterpart and shall be binding upon that Party for all purposes as if it were an original signature.
10. This Agreement shall be effective as of 2 September 2014.

HER MAJESTY THE QUEEN IN RIGHT OF
THE PROVINCE OF NEWFOUNDLAND
AND LABRADOR

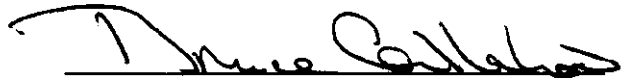
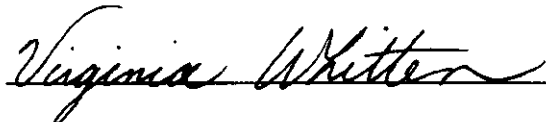


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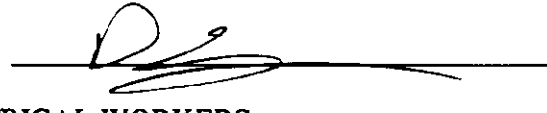



Minister of Finance

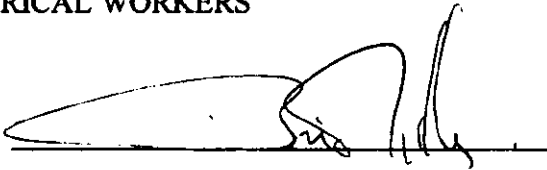
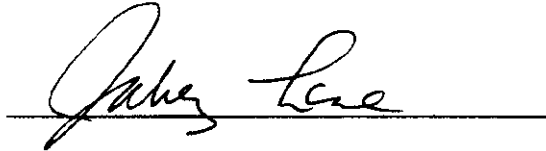
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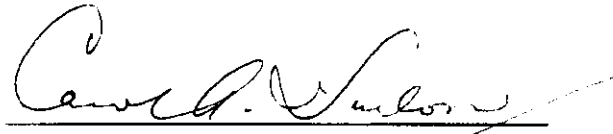
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