

## Teachers' Pension Plan Reform Agreement

THIS AGREEMENT dated as of the 15th day of June, 2015.

BETWEEN:

NEWFOUNDLAND AND LABRADOR TEACHERS'  
ASSOCIATION

("NLTA")

AND:

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

("Government")

(The NLTA and Government being collectively referred to as the  
"Parties")

Whereas:

- the Government has stated its intention to revise the terms and conditions of the Teachers' Pension Plan (the "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 has engaged in negotiations with the NLTA in respect to potential changes to the Plan;
- The Government and the NLTA are committed to protecting the defined benefit structure of the Plan and sharing responsibility for the governance of the Plan through joint sponsorship and joint governance;
- the Government and the NLTA have agreed to continue negotiations towards a comprehensive plan to revise the structure and operation of the Plan, with certain elements of the arrangement deferred to the negotiation and finalization of relevant documents;
- the Government and the NLTA wish to establish the framework for the conclusion of the finalization of relevant documents and the implementation of changes to the Plan;

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

1. The following represents the agreement with respect to changes to the calculation and benefits under the Plan (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) "future service" means service from and after September 1, 2015;
- (b) "past service" means service up to and including August 31, 2015; and
- (c) "service" means pensionable service as defined under the Plan;

1.1.3. For future service, pensions will be calculated by using the average of the highest eight (8) years of pensionable annual salary.

1.1.4. For past service, pensions will be calculated by using the higher of:

- (a) the frozen average of the highest five (5) years' pensionable salary calculated up to the effective date (September 1, 2015), and
- (b) the average of the highest eight (8) years' pensionable salary for all past and future service.

1.1.5. Indexation for future service will be suspended.

1.2. Deferred Pension:

1.2.1. A teacher who has accumulated at least 5 years of pensionable service but less than 24.5 years of pensionable service who terminates employment or whose employment is terminated for a reason other than disability on or after September 1, 2016 and who is not eligible for an immediate pension shall receive a deferred pension at age 62.

1.3. Contribution Rate Increases:

1.3.1. The revised matching (employee and employer) contribution rates shall be 11.35% of salary.

1.4. The Benefits Changes, with the exception of the change in Subsection 1.2.1, will be effective September 1, 2015. The change in Subsection 1.2.1 will be effective as of August 31, 2016.

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

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

2.1.1. The trustee and Plan administrator of the Plan 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 Plan, as represented by the NLTA ((a) and (b) collectively referred to as the “Sponsors”), shall be responsible for future plan design changes and shall make decisions by their common agreement. The Plan shall not be terminated, wound-up or converted during the 30 year period following the issuance of the promissory note except by the 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 Directors of the Trustee Corporation (the “Board”) shall be composed of equal representation by Government and the NLTA;
  - (b) The Board of Directors 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 of Directors will be such that, in addition to any other voting requirements which may be established in the Framework, resolutions of the Board shall not be adopted unless they receive the affirmative votes of a majority of the NLTA 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.
- 2.2. Government’s liability for deficiencies with the Plan under the Joint Sponsorship and Trust arrangement will be as follows:
- 2.2.1. There will be no Government guarantee of any deficiency in the Plan. The deficiency guarantee in Section 9 of the *Pensions Funding Act* shall be amended to exclude the Plan.
  - 2.2.2. Government’s sole liability with respect to the Plan will be to contribute to the Plan in accordance with this Agreement, legislation that is supplemental to this Agreement and the Funding Policy.
  - 2.2.3. Government shall amortize \$1.862 billion over 30 years in equal annual payments of \$135,000,000 commencing on August 31, 2016. The payments shall be fixed and

made regardless of the funded status of the Plan in the future. The payments shall be considered as an asset of the Plan. Government shall provide a non-marketable, non-transferrable promissory note that contains these terms, and any other terms agreed between the Parties, to the Trustee Corporation on behalf of the Plan.

2.2.4. Actuarial surpluses and deficits shall be shared equally between Government and Plan members.

2.3. The Structure Changes will be effective on a date that is the later of April 1, 2016 and the date that the amendments to the *Teachers' Pensions Act*, SNL 1991 c 17 that are required to implement the changes in Subsection 3.2.2. are proclaimed.

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 Trustee Corporation per Subsection 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 Subsection 2.1.5; and

3.1.3. Otherwise as may be required, including but not limited to amendments to applicable collective agreements.

3.2. Legislative changes, including:

3.2.1. Amendments to the *Teachers' Pensions Act*, SNL 1991 c 17, as amended, to provide for the implementation of the Benefits Changes, including:

(a) amendments to implement the Benefits Changes relating to the average pensionable earnings and the suspension of indexing, effective September 1, 2015;

(b) amendments to provide for those increases to matching contribution rates for all members and employers as required to reach the amounts specified in Subsection 1.3.1, effective September 1, 2015; and

(c) amendments to provide for the change referred to in Subsection 1.2.1 (Deferred Pension), effective August 31, 2016.

3.2.2. Amendments to the *Teachers' Pensions Act*, SNL 1991 c 17, as amended to provide for the implementation of the Joint Sponsorship and Trust arrangement, including:

(a) provisions as required to implement this Agreement for the Framework of the Trustee Corporation;

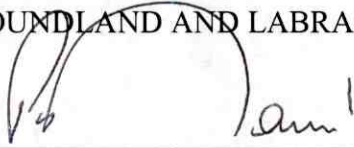
(b) provisions providing that actuarial surpluses and deficits shall be shared equally between Government and the Plan members;



- (c) provisions for the transfer of the pension fund applicable to the Plan to the Trustee Corporation as trustee;
  - (d) provisions to require the Trustee Corporation as administrator, or any administrator retained under Paragraph 2.1.4(b), to comply with the Funding Policy; and
  - (e) for amendments if required to implement Subsection 2.1.5 above.
- 3.2.3. Amendment to Section 9 of the *Pensions Funding Act* such that the deficiency guarantee will not apply to the Plan;
- 3.2.4. Amendment to the *Pension Benefits Act* to fully exempt the Plan from the Act;
- 3.2.5. Amendments as may be required to authorize Government's payment commitment in Subsection 2.2.3 above, including the execution and delivery by Government of the promissory note evidencing the commitment; and
- 3.2.6. Otherwise as may be required to implement this Agreement.
4. The Parties acknowledge that the implementation of the Structure Changes to the Plan contemplated herein shall be conditional upon the following:
- 4.1. The implementation of the Benefits Changes;
  - 4.2. The delivery by Government to the Trustee Corporation of a fully enforceable promissory note in fulfillment of the commitments in Subsection 2.2.3, for the benefit of the Plan, to be effective as of the effective date of the Structure Changes;
  - 4.3. 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 30 June 2015. If the Parties do not finalize these agreements by 30 June 2015, 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. In the event that negotiations are terminated and legislation has been passed to change benefits in accordance with this Agreement (the "Amendments"), the Minister will take steps to reinstate the benefits that existed prior to proclamation of the Amendments;
  - 4.4. 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
  - 4.5. The creation of the Trustee Corporation as contemplated by the Framework.
5. The Parties acknowledge that the changes to the Plan 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.

6. The Parties have entered into this Agreement to provide a process whereby the revisions to the Plan 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 either Party 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 Plan 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 the 15th June 2015.

HER MAJESTY IN RIGHT OF  
NEWFOUNDLAND AND LABRADOR



Premier



Minister of Finance

NEWFOUNDLAND AND LABRADOR TEACHERS' ASSOCIATION



President



Executive Director