

## Pension reform

In the budget, the provincial government announced its intention to move forward on implementation of the recommendations of the Arthurs Commission. It balanced the interests of employers, unions and plan members and addressed the longer-term issue of modernizing regulation and strengthening Ontario's pension system. It also addressed some housekeeping issues that have long been irritants for pension plan sponsors.

In general, the province withstood the pressure for short term fixes to deal with the financial crisis. However, the giant Teachers Pension Plan, on the edge of layoffs of high-powered investment staff, has won the right to extend its mandate to take in plans from the broader public sector.

Other significant moves:

1. **Amortization:** The government agreed to allow plans to 'amortize' plan payments over 10 rather than five years. This option is open to all plans that are jointly governed. This certainly covers jointly-sponsored plans and appears to cover all multi-employer pension plans. Single-employer plans will have to get a two third majority vote of plan members or union consent. This is a victory for private sector unions and the major Ontario pension plans. Smaller jointly-sponsored pension plans may be more vulnerable.
2. **Administration:** In spite of talks between the OPSEU Pension Trust, OPSEU and the government on extending the mandate of the OPT to bring in other membership groups, competing talks between the government, Teachers and the teachers unions has resulted in the government agreeing to extend the mandate of the Teachers Pension Plan to provide pension administration and investment services to other pension plans and institutional investors in the public sector.
3. **Marriage breakdown:** Once Bill 133 is passed, the government will consult on regulations. The bill provides substantial clarity to the treatment of pensions on marriage breakdown. OPSEU would likely be largely supportive of the bill, but we need valuations of pension splitting that are consistent with existing valuation rules used by plan administrators for other purposes. This will decrease the administrative burden and plan costs while at the same time increasing predictability for plan members and their families.
4. **Phased retirement:** OPSEU is cautious about immediately amending the Pension Benefits Act to provide for phased retirement as contemplated by the Income Tax Act. We, like many other unions, are anxious to consider phased retirement as an advantage for members, particularly those in physically demanding work, who would like to reduce working hours with no penalty to their pension. However, this benefit can be indiscriminately applied so that a few favored workers get it at the expense of others and those who do get this benefit suffer longer term penalties to their pension. Plans would be permitted to allow members to receive a pension while continuing to accrue benefits. Collective agreements would need to ensure that this rule is applied fairly.
5. **Regulatory:** The Financial Services Commission of Ontario is getting more staff. However, the government is not returning the regulation of pensions to a single pension regulator.