



June 1, 2016

Marc Rondeau, Assistant Deputy Minister, Employee Relations Division  
Treasury Board Secretariat  
7<sup>th</sup> Floor, Ferguson Block, 77 Wellesley Street West  
Toronto, Ontario M7A1N3

**VIA EMAIL**

**Re: Post-retirement benefits for OPSEU members in the OPSEU Pension Trust**

Dear Mr. Rondeau:

This letter is in regard to the Ontario government's plan, announced February 18, 2014, which announced changes to post-retirement benefits (PRB) for workers enrolled in either the Public Service Pension Plan (PSPP) or the OPSEU Pension Trust (OPT).

These changes, which are to take effect on January 1, 2017, are detrimental to the interests of all OPSEU members who rely on the OPT to take care of their needs in retirement. Since the 2014 announcement, our union has met with government representatives on several occasions. I am sorry to say that those meetings have not resolved our objections to the changes.

The core of the government's plan is the idea that members of both the PSPP and the OPT pay half of the insurance premiums for health and other benefits they receive post-retirement. We see a number of problems with this.

**Fairness**

We do not think the government's plan is fair. Hence, we do not think OPSEU members should be subject to this cost-sharing proposal. There are a number of reasons for this:

- In many cases, the cost-sharing proposal does not mean OPSEU members will pay half the cost of their benefits. On the contrary, it means they will receive no benefits at all, for the simple reason that they will not be able to afford to. Can a former employee of the OPS, the LCBO, or any other agency who is earning (say) \$30,000 a year in retirement afford to pay (say) \$1,500 a year in benefit premiums? In many cases, the answer will be no. Rather than paying half the cost of their benefits, these retired plan members will be paying the full cost of losing them.

We believe this runs counter to the government's larger policy direction. If the government is interested in the well-being of all Ontarians in retirement, as it must certainly be based on the Ontario Retirement Pension Plan, then a move like this that hits retirees where it hurts them most – their health – is ill-advised in the extreme.

- OPSEU members in the OPT pay 50 per cent of the cost of their pensions, unlike PSPP members.
- OPSEU members in the OPT pay higher contributions to their pension plan than PSPP members do. Our members pay at a rate of 11 per cent above the yearly maximum pension earnings (YMPE); PSPP members pay 9.5 per cent.
- OPSEU members have increased their contributions to fund the OPT, and their retirements. From 2010 to 2015, OPSEU members contributed an extra \$368,501,693 compared to what they would have contributed at previous rates.
- The government has not made, and has no plans to make, any special contributions to top up the OPT. Yet since 1995, the government has made special contributions to the PSPP of over \$1,116,000,000.
- Finally, employees enrolled in the PSPP are, on the whole, paid more than members in the OPT and receive higher pension payments as a result. The cost to them of paying half the cost of benefit premiums is, in relative terms, significantly smaller.

### **Unintended consequences**

OPSEU believes the government's cost-sharing plan for post-retirement benefits will have unintended consequences which will cost the government money, not save it, and could jeopardize the government's goal of balancing the provincial budget by 2018. Here's why:

- We believe many OPSEU members in the OPT will retire earlier than they had planned to avoid the extra costs or loss of benefits that would occur if they retired on or after January 1, 2017. We estimate that if 75 per cent of those eligible to retire early with an unreduced pension and 30 per cent of those eligible to retire with a reduced pension do so prior to January 1, the cost to government would be \$22,357,700 from 2016-19.
- This sudden loss of senior employees cannot fail to hurt the ministries and agencies that employ them. The loss of this knowledge base will reduce operational effectiveness in the short term and the long term. The training of new workers will, inevitably, fall to less senior employees.
- A wave of early retirements will require hiring more public employees.

### **Cost-saving options**

The government does not have to proceed with the plan announced on February 18, 2014. There are other options:

- The LCBO – and all other agencies, boards and commissions that sell services or make a profit – could pay the full cost of post-retirement benefits instead of the government.
- Persons in the PSPP could begin paying 50 per cent of the cost of their pensions, as OPSEU members already do.
- The government could cease making special payments to the PSPP.

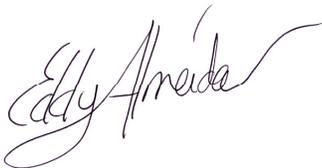
## A proposal for negotiations

OPSEU does not believe the Government of Ontario has the right to unilaterally change post-retirement benefits for OPT members without bargaining with OPSEU. One party to a collective agreement cannot unilaterally change terms and conditions of work. That is why we believe we will be successful with our grievances.

There is another way: negotiation. We propose that creation of a table at which OPSEU representatives and Treasury Board officials can negotiate an agreement that may gain support from both parties. Such a table may be able to identify opportunities for cost savings through tendering out of post-retirement benefits, discussions with the carriers, or other means. There may also be opportunities for cost savings related to the family circumstances of retirees, who are much less likely to have dependents than are active members who are still in the workforce. Further exploration of the other ideas listed in this letter could, we believe, be fruitful.

Accordingly we request that the Honourable Deb Matthews, President of Treasury Board, postpone any changes to post-retirement benefits for OPSEU members in the OPT until January 1, 2018, similar to what happened with the Ontario Provincial Police Association. This would allow the parties time to explore alternatives to a plan we believe to be deeply flawed.

Sincerely,



Eduardo (Eddy) Almeida  
First Vice-President/Treasurer, Ontario Public Service Employees Union

c: The Honourable Deb Matthews, Deputy Premier and President of the Treasury Board  
Reg Pearson, Associate Deputy Minister, Bargaining and Compensation  
OPSEU Executive Board