Minister's Speaking Notes
Meeting – December 6, 2016

RETIREE BENEFITS CHANGES – CHANGES TO ORDER-IN-COUNCIL 162/91

- Treasury Board Secretariat is reporting back to recommend an Order-in-Council to implement changes to retiree benefits effective January 1, 2017.
- These include changes to retiree benefits eligibility criteria and cost-sharing terms that were approved in January 2014 as part of broader changes to manage compensation costs
- Since the 2014 announcement, the Government has heard from numerous employees and employee groups regarding their concerns with the announced changes.
- Further, OPSEU and its OPS members filed individual, group and union grievances in response to the announced changes.

- We have been exploring a variety of options that might address some of the concerns raised by employees and employee groups, and for the past several months, we have been specifically engaged in discussions with OPSEU.
- On November 11, 2016, we reached an agreement with OPSEU that provides for the option for OPS employees with 20 years of pension credit who retire on or after January 1, 2017 to enroll in an alternative, retiree-focused PRB plan at no cost to existing employees and no additional cost to the Government.
- This option resolves all of the grievances filed and protects the fiscal savings associated with the 2014 announcement.
- The November 2016 settlement also includes terms that would require persons hired on or after January 1, 2017 to pay 100 percent of PRB premium costs in order to participate in the alternative retiree-focused PRB.

- Based on ongoing confidential discussions with OPSEU, we are considering offering the same alternative retiree-focussed PRB to those hired before January 1, 2017 and who subsequently commence an immediate unreduced pension based on at least ten years of pension credit, so long as they pay 100% of the premium costs.
- Under the changes outlined in our previous announcement these individuals would not have been eligible for any retiree benefit entitlement, as it was only available to those with at least twenty years of pension credit.
- Offering the retiree-focused PRB to those with only 10 years of pension credit would primarily be of interest to persons who are unlikely to accrue the minimum 20 years' pension credits and retire under the criteria that will be in effect as of January 1, 2017, such as those who began their employment later in life.

- All of these changes together will lead to a gradual elimination of the $5.5B PRB liability associated with this program.
- We intend to offer this alternative, retiree-focused PRB plan at no cost, to all individuals who meet the eligibility criteria effective January 1, 2017.
- These changes support the Government's fiscal plan to eliminate the deficit by 2017-18 and reflect practices in the police and hospital sectors, and other government jurisdictions.
- In addition to these changes, TBS is also seeking approval to develop an optional insured benefits upgrade package that will enable retired Ontario Public Service pension plan members' and active employees' access to emergency out-of-country and catastrophic drug coverage, at their cost, effective April 1, 2017.

Background

- As a result of the announced changes, the government realized a $1.2B reduction in PRB liability (from $6.4B to $5.2B) in the 2013-2014 fiscal year.
- The current liability associated with PRBs (as of March 31, 2016) is $5.5B.
- Since the 2014 announcement, the Government has heard from numerous employees and employee groups regarding their concerns with the announced changes.
- Further, OPSEU and its OPS members filed individual, group and union grievances in response to the announced changes.
- On November 11, 2016, OPSEU and the Government reached a settlement that provides for the option to enroll in an alternative, retiree-focused PRB plan at no cost to existing employees (and no additional cost to the Government) while resolving these grievances and protecting the fiscal savings associated with the 2014 announcement.
- The November 2016 settlement also includes terms that would require persons hired on or after January 1, 2017 to pay 100 percent of PRB premium costs if they want to participate in the alternate retiree-focused PRB.
- Based on further discussions with OPSEU, the optional retiree-paid access (at 100% cost to the retiree) would also extend to persons hired before January 1, 2017 and who subsequently commence an immediate unreduced pension based on at least ten years of pension credit. This change will largely only benefit employees who are hired later in their careers and work until age 65.

- These changes will contribute towards the elimination of the PRB liability over the long term.
- The Government intends to offer the alternative, retiree-focused PRB plan to all individuals hired before January 1, 2017 who meet the eligibility criteria who may be impacted by the 2014 announced changes.
- Lieutenant Governor in Council approval of an OIC is required to:
    - Extend the eligibility term for retiree benefits from 10 to 20 years and require retirement to an immediate and unreduced pension for employees; and
    - For affected pension plan members who have not commenced pension before January 1, 2017 and who were hired before that date, enable the option to access the post-retirement benefits plan that is available for members in receipt of a pension before January 1, 2017, provided they pay 50 percent of the benefit premium costs. Alternatively, such members may elect to enrol in a retiree focused post-retirement benefits plan that is 100 percent paid by the government.
    - For members hired on or after January 1, 2017, enable the option to enrol in the alternative retiree-focused post-retirement benefits plan upon retirement if they have 20 years of pension credit and retire to an immediate unreduced pension, provided they pay 100 percent of the premium costs.
    - For members hired before 2017 and who retire and commence receipt of an immediate unreduced pension based on at least ten years of pension credit, enable the option to enrol in the alternative retiree-focused post-retirement benefit plan provided they pay 100% of the premium costs.
- The changes to the retiree benefits eligibility criteria, benefit plan participation and cost sharing terms will not affect current retirees.
- In addition, approval is required to develop an optional insured benefits upgrade package, that will enable retired Ontario Public Service pension plan members' and active employees' access to emergency out-of-country and catastrophic drug coverage, at their cost, effective April 1, 2017.

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