Funding Rules for Defined Benefit Pension Plans
Proposal Number: 17-MOF018
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With net assets of $19 billion, the OPSEU Pension Trust (OPTrust) invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a jointly-sponsored defined benefit plan with almost 90,000 members and retirees.

We thank the Government of Ontario for providing us with this opportunity to comment regarding the description of the new funding rules for defined benefit pension plans that was released on December 14, 2017. We would also like to thank the Government for incorporating many of the suggestions into the proposed regulatory changes that were provided by OPTrust and our peers in past submissions.

Although the first page of the proposed funding rules document clearly states that the funding changes will not apply to jointly sponsored pension plans (JSPPs) that are listed in s. 1.3.1(3) of Regulation 909 under the Pension Benefits Act, there is one specific point that we would like to comment on. Page four of the proposed funding rules states:

> *Funding pre- and post-retirement indexation (escalated adjustments) would be required under the new framework on the same basis as for other benefits. However, contributions in respect of the PfAD would not be required for either the going concern liabilities or the normal cost in respect of future indexation.*

Although it does not appear that this will impact JSPPs, this does suggest that changes may be made to section 11 of Regulation 909. This section of the regulations currently permits pension plan administrators to exclude inflation adjustments that are expected to be applied to deferred pensions and pensions in pay for the purposes of funding their plans and reporting their going concern unfunded liabilities.

As we have stated in the past, we strongly believe that any changes that result from the new regulations should not impact the funding model that is currently in place for JSPPs or interfere with the joint governance structure and funding policies that have been adopted by JSPPs to effectively manage both deficits and surpluses in our plans.

Consequently, we believe that JSPPs should continue to be exempt from the requirement to fund for future inflation protection adjustments. The current approach not only recognizes the risk-sharing nature and long-term horizon of JSPPs but also ensures that contributions are maintained at a reasonable level and not raised for plan members and employers unnecessarily.

We also believe it is important that the Government continue its initiative to support and promote the JSPP model and provide employers with incentives that will encourage them to convert or merge their defined benefit plans to a JSPP. Ensuring that JSPPs are subject to less stringent, and more practical funding requirements will achieve this goal and demonstrate the Government's continued commitment to promoting and strengthening the JSPP model for Ontarians.

Once again, we would like to thank the Government for the chance to comment on these important initiatives and we look forward to reviewing the draft regulations when they are made available.