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FOR IMMEDIATE RELEASE
September 19, 2011

Public Sector Pensioners release economic study

Public Sector Pensioners in this province have billions of reasons to feel angry with the Government of Newfoundland and Labrador.

The Newfoundland and Labrador Public Sector Pensioners' Association (NLPSPA) has released the results of an economic study that sheds light on – and attaches an economic cost to – how the provincial government managed public sector pensions since 1967.

The study, titled "Implications of Past Governments' Actions on the Present State of the Pooled Pension Fund", was prepared by economist Alison Coffin, B.A. (Honours) Memorial, M.A. York. It was commissioned by the NLPSPA to determine the projected value of government's Pooled Pension Fund, on the premise that government had matched employee pension contributions between 1967 and 1980.

"In 1967, Government began collecting pension premiums as a proportion of employees' salaries," the report states. "Government did not match employee contributions at that time. Employees' contributions were paid into the Consolidated Revenue Fund and pensions were paid from it. There was no separate pension fund nor was the balance of contributions minus pensions invested in revenue generating assets."

This report, then, projects the value of the Pooled Pension Fund if Government had matched, and properly invested, those employee contributions.

The report makes the startling revelation that, had the funds been matched and invested starting in 1967, the Pooled Pension Fund would be worth about $4 billion more in assets.

"This report proves, quite conclusively, that the provincial government has mishandled and mismanaged the pension contributions of its former employees," said Sharron Callahan, President of the NLPSPA. "If it had matched those funds, and invested them reasonably, our Pooled Pension Fund would be $4 billion stronger today."

A list of report highlights is attached.

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Report Highlights

In 1967, the Government of Newfoundland and Labrador began collecting pension premiums from its employees.

Premiums were 6% of salaries.

All premiums paid by employees were deposited into Government’s Consolidated Revenue Fund, not a separate pension fund.

Government did not match employees’ pension contributions.

Government did not invest the balance of pension contributions less pension payments.

In 1981, Government established the Pooled Pension Fund, began matching employees’ contributions and investing in revenue generating assets.

There would have been almost $270 Million in the fund in 1980 if government had matched employees’ pension contributions and invested the balance of the fund between 1967 and 1980.

There would be about $4 Billion more in the Pooled Pension Fund in 2010 if Government had invested the $270 Million balance of the pension fund in 1980, between 1981 and 2010.