

NLTA RESPONSE TO “THE BIG RESET”

A detailed submission in reply to the report
of the Premier’s Economic Recovery Team



Newfoundland and Labrador Teachers' Association

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NLTA RESPONSE TO THE PERT REPORT

EXECUTIVE SUMMARY

- The Newfoundland and Labrador Teachers' Association (NLTA) welcomes the opportunity to provide feedback on the report of the Premier's Economic Recovery Team (PERT). We understand the content of "The Big Reset" is intended to be the focus of consultation and discussion on both short- and long-term fiscal challenges and opportunities facing the Province and its people.
 - A recurring theme throughout the PERT report is the importance of Government utilizing and relying upon experts when developing and implementing recommendations in their respective fields of expertise. The NLTA supports the concept of evidence-based decision making supported by the advice of experts in the particular sector/field under review.
 - The key experts in the provincial K-12 public education system are the practitioners represented by the NLTA, members of Memorial University's Faculty of Education, and educational specialists at the Department of Education.
 - Under Section 4(a)(i) of the *Newfoundland and Labrador Teachers' Association Act*, the NLTA has the legislated authority and responsibility "to promote the cause of education in the Province by (i) affording to educational authorities, teachers, and the public in general the benefits of the collective experience and advice of teachers on practical educational matters."
 - Based on the foregoing, the focus of the NLTA's submission and response to recommendations contained in the PERT report will be in the areas of its expertise – the K-12 public education system, the Teachers' Pension Plan, and collective bargaining between Government and the NLTA. It is important to note that the PERT did not have any members with backgrounds or expertise in the areas of public education, defined benefit pension plans, or collective bargaining.
 - While the PERT has made some recommendations regarding the K-12 public education system that the NLTA considers to have merit (which will be discussed in our detailed submission), there are five specific recommendations that demonstrate a lack of knowledge and understanding, are totally without merit and ill advised, would have negative fiscal and social impacts on the Province, and will be vigorously opposed by the NLTA, specifically:
 - Pensions to be converted to a collective defined contribution plan in three years;
 - Ensure principals, vice-principals, and other supervisory staff are not members of the NLTA;
 - Change opening and closing hours to an eight-hour day for teachers;
 - A wage freeze; and,
 - In the event that a negotiated settlement is not possible, the Provincial Government should use legislation that will be effective.
- Our submission will demonstrate the lack of merit of these five recommendations, and provide alternative proposals that are evidence-based and in the best interests of the Province and its people.
- With regard to recommendations that fall outside the expertise of the NLTA, our submission will make general commentary as appropriate, but will otherwise defer to stakeholders and sector experts for detailed discussion and response.

NEWFOUNDLAND AND LABRADOR TEACHERS' ASSOCIATION (NLTA)
DETAILED RESPONSE TO "THE BIG RESET"
THE REPORT AND RECOMMENDATIONS OF THE
PREMIER'S ECONOMIC RECOVERY REPORT (PERT)
JUNE 30, 2021

Introduction

The mandate of the PERT was to develop "a plan of action that responds to the Province's immediate fiscal challenges and plot a new course forward. In addition, the Economic Recovery Team should also focus on programming to revitalize the economy and identify the changes required to get us there."

The NLTA welcomes the opportunity to provide a response to the PERT report, which we understand is intended to be the focus for consultation and discussion on both short- and long-term fiscal challenges and opportunities facing the Province and its people. The NLTA, through this submission, and hopefully other opportunities for discussion and input, is committed to participating in efforts to revitalize the economy based on expertise and evidence-based decisions that are in the best interests of the people of the Province.

The 12 volunteer members of the PERT, led by Dame Moya Greene, consist of three engineers, two lawyers, two individuals with careers in institutional banking, an indigenous leader, a person with background in the seafood industry, a person with background in the aviation industry, a business entrepreneur, and a career public servant – all individuals with successful careers in their respective fields of endeavor. It is noteworthy from the NLTA perspective that none of the members of the team have a background or expertise in the K-12 public education system, the pension industry, or in public sector collective bargaining. The NLTA has expertise in these three areas and has provided input through this submission which we expect Government will value when considering any actions to be taken.

A recurring theme throughout the PERT report is the importance of Government utilizing and relying upon experts when developing and implementing recommendations in their respective fields of expertise. The NLTA supports the concept of evidence-based decision making supported by the advice of experts in the particular sector or field under review. We approach this report with the understanding that Government has not accepted nor committed to implementing the PERT recommendations en masse. We understand that the recommendations of the PERT are the focus for discussions and consultations on their merits and feasibility, and we expect that there is and will be an openness to acceptance of alternative insights, options and recommendations.

With the foregoing in mind, the NLTA is providing our response and input on the PERT report and its recommendations, with a focus on areas in which the NLTA has particular expertise, namely the K-12 public education system, defined benefit pension plans, and collective bargaining. The NLTA will provide general commentary and viewpoints on all recommendations, but will often defer to stakeholders and experts with expertise in the particular sector under consideration.

The body of our submission below will follow the outline of the PERT recommendations on the four key areas of strategic focus:

- A. Improving accountability and transparency in decision making
- B. Building a greener, technologically advanced economy
- C. Refocusing the social compact to concentrate on the challenges of today and tomorrow
- D. Implementing a solid fiscal plan

We have attempted to follow the general format of the online submission process by indicating support or opposition for each recommendation. However, given that many of the 78 recommendations are multi-part statements addressing complex issues, it is necessary to qualify our support or opposition by giving conditional support or opposition with appropriate rationale for same. In addition, when appropriate, we have deferred to stakeholders and experts or indicated we neither support nor oppose the recommendation.

While there are certain sub-recommendations regarding the K-12 public education system that the NLTA considers to have some merit, which are discussed in our detailed submission, there are five specific recommendations/sub-recommendations that demonstrate a lack of knowledge and understanding of the realities and operations of the provincial K-12 public education system, are totally without merit, would have negative fiscal and social impact on the Province, and will be vigorously opposed by the NLTA, specifically:

- Pensions to be converted to a collective defined contribution plan in three years;
- Ensure principals, vice-principals, and other supervisory staff are not members of the NLTA;
- Change opening and closing hours to an eight-hour day for teachers;
- A wage freeze; and,
- In the event that a negotiated settlement is not possible, the Provincial Government should use legislation that will be effective.

There is an unwarranted and obvious bias against defined benefit pension plans clearly expressed throughout the PERT report. This bias stems from either a lack of knowledge and understanding, or a 'pension envy' often seen in the private sector. The recommendation on removing principals, assistant principals and other positions from NLTA membership, as well as changing school hours for teachers also demonstrate a lack of knowledge and understanding of the operations of the K-12 public education system. For each of these recommendations we provide separate and detailed background and information which demonstrates their lack of merit and provides alternative proposals that are evidence-based and in the best interests of the Province and its people. With regard to wage freezes and recommending the use of legislation in negotiated settlements, the PERT has dramatically overstepped its mandate by inappropriately involving itself in collective bargaining matters which are exclusively under the legislative jurisdiction of the Government of Newfoundland and Labrador and its agencies/boards as employers, and the bargaining agents which legally represent public sector employees.

Detailed information is also provided in our submission on other recommendations related to the K-12 public education system and collective bargaining, as deemed appropriate in order to provide decision makers with the necessary level of knowledge and understanding to inform those decisions.

There are many recommendations that fall outside the expertise of the NLTA and while we make general commentary and response, we have deferred to stakeholders and sector experts for detailed analysis and consideration of recommendations as deemed appropriate.

In general, the NLTA cautions Government on following recommendations which promote austerity measures and cutting of services as these recommendations, if accepted, will have a negative impact on the economy, and will disproportionately impact individuals and families in our Province who are already marginalized. Regarding the recommendation for privatization of public services and enterprises of the PERT, the NLTA again urges caution and careful consideration. These recommendations appear to be based on a philosophical preference favouring the private sector, rather than detailed economic analysis of the goods or services currently being provided in the public sphere. Privatization does not automatically equate to better or less expensive provision of goods and services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs. Taxes are the primary source of revenue utilized to pay for required government goods and services. The NLTA supports a progressive tax system based on income, that allows relief for those least able to pay and requires more from those most able to pay.

We thank the Premier for this opportunity for feedback, and look forward to further discussion and input with him and his Government as we all work in the best interests of the Province and its people.

PERT RECOMMENDATIONS AND THE NLTA RESPONSE

A. IMPROVING ACCOUNTABILITY AND TRANSPARENCY IN DECISION MAKING

1. The Provincial Government should review the current *Lobbyist Registration Act* to enhance transparency.

NLTA Response: NEITHER SUPPORT NOR OPPOSE

Rationale: This recommendation is vague as to the intent and fails to make it clear that the routine, informal networking between government and business lobbyists may not be covered by such legislation, potentially skewing lobbying in favour of such interests. Labour meetings with government tend to be formal, scheduled, and rare. Business interests have such meetings, but also have lunches, dinners, drinks, golf games and the like. All contact with government representatives needs to be tracked and transparent.

2. Enact Balanced Budget Legislation

- The model should recognize that Government may not reach a balanced budget until five or six years and set this target in legislation;
- Five-year economic and fiscal projections should be provided with each budget;
- Meeting budgets should be mandatory for all departments, public institutions, agencies, boards and commissions;
- A percentage of Ministers' compensation should be held back to ensure departments and other entities meet established targets;
- A similar holdback should apply for Deputy Ministers and Assistant Deputy Ministers;
- An external advisory group of experts should be established to review annual budgets; and
- Only 50 per cent of oil and mineral royalties should be considered in expenditure planning; the other 50 per cent must be paid on debt or placed in the Future Fund.

NLTA Response: OPPOSE

Rationale: Sound and reasoned decision making should be the objective of Government fiscal policy. Achieving a balanced budget for the sake of achieving a balanced budget should not be Government's primary goal. Legislating mandated balanced budgets can result in poor decision making and the potential for lost investment opportunities due to arbitrary restrictions being placed on decision makers.

Holding back compensation (from Ministers, Deputy Ministers and Assistant Deputy Ministers) based on achieving targets or performance indicators (KPIs) is a part of a 'variable compensation' model associated with 'bonus' pay. The introduction of variable compensation for senior public servants is contradictory to PERT recommendation #10 which proposes to eliminate bonuses "for all publicly funded organizations, including provincial government agencies, boards and commissions, as well as any public or private organizations receiving government money." Variable pay is not advisable for senior government management.

3. The Provincial Government should create a Future Fund to support the transition to a green economy.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports creating a budget to support transition to a green economy and utilizing oil and gas revenue to support the transition, but not at the expense of existing services and priorities. The concept of a Future Fund is reasonable in times of surplus, or when provincial debt has reached specific pre-determined targets and the services required by the citizens are being met. Unfortunately, the Province is not in a position to establish a Future Fund at the current time.

4. Strengthen Training for MHAs and Executives

NLTA Response: SUPPORT

5. Implement Program Evaluation

NLTA Response: SUPPORT

6. Facilitate Independent Economic Advice

- The building of strong relationships with experts locally and across Canada to assist in evidence-based decision-making; and
- The coordination and development of the collection of statistics and economic information to support evidence-based decision-making across departments.

NLTA Response: CONDITIONAL SUPPORT

Raionale: The NLTA supports the utilization of sector specific experts and evidence-based decision making throughout Government operations; however, there should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

7. Adopt a Mandatory Reporting Framework

- The Provincial Government should develop a new accountability framework for departments, agencies, boards, commissions, and other entities in receipt of public funds, including mandatory adherence to the Global Reporting Initiative standards. This should also apply to private sector partners, non-governmental organizations, and unions. Improving transparency also includes extending reporting requirements to all organizations. For Provincial Government employees, the cost of individual public service pension plans should be disclosed.

NLTA Response: OPPOSE

Rationale: In general, the NLTA supports transparency and accountability, and establishment of good Environmental, Social and Governance policy which should be made publicly available. The Provincial Government, its employees, and its various stakeholders should determine if the Global Reporting Initiative Standards are the appropriate standards to utilize.

The NLTA questions and opposes the inclusion of unions in this recommendation on Government reporting standards. The discussion and rationale preceding this recommendation in the PERT report are focussed on Government and industry/business enterprises, stating that this would “make the province more attractive to investors.” The PERT provides no rationale or explanation for how the inclusion of unions in this recommendation would benefit the provincial economy or increase private investment. There is no logical link between this reasoning and the scope of the recommendation. Unions, many of which operate in both the public and private sectors, are already highly transparent entities, subject to regular, formal disclosure and reporting processes to members and the approval of budgets and major financial decisions through democratic governance processes. Unions are consistently accounting and accountable to their dues paying members. Unions are not publicly funded – their funding comes from membership dues, the amount of which is also determined by members.

With regard to the disclosure of the cost of individual public sector pension plans, the NLTA fully supports transparency; however, it should be noted that such transparency already exists for the Teachers’ Pension Plan (TPP). The cost to Government is the matching premium paid by individual teachers at 11.35% of salary, the total dollar amount is publicly available in the Teachers’ Pension Plan Corporation Annual Report. All other costs are borne by the TPP, including reimbursement to Government of any associated human resources costs (salaries) associated with pension payroll.

The specific reference to the public sector plans in this section is both curious and disturbing, given the existing transparency. The PERT report contains obvious and consistent bias against public sector defined benefit

pension plans throughout the document, and this issue is addressed in a separate section of our response – Appendix 3 – specific to the PERT pension recommendation.

8. MHAs and Public Sector Pensions

The Provincial Government should legislate that MHAs will no longer be allowed to receive multiple provincial government pensions. Pension contributions made by an MHA would be added to any existing public service pension plan. MHAs without a public service pension would access the MHAs pension on a defined collective contribution basis.

NLTA Response: OPPOSE

Rationale: *This recommendation is part of the obvious and consistent bias by the PERT against defined benefit (DB) pension plans and has no financial benefit or merit for the Province.*

- As a result of pension reform in 2015, the Teachers' Pension Plan (TPP) and the Public Service Pension Plan (PSPP) are now jointly sponsored pension plans that are fully funded and sustainable. The MHA Pension Plan (MHAPP) has not undergone similar reform. It is solely sponsored by Government and is currently underfunded with an unfunded pension liability that is significant relative to its small number of members, most of whom are retired and in receipt of pension. The PERT recommendation does nothing to reduce or address this unfunded liability.
- Further, the MHAs are not members of the PSPP, and Government has no authority to unilaterally implement this recommendation to mandate that the PSPP accept MHAs as plan members. Such a move would create liability for the PSPP, and could not be achieved without significant actuarial analysis and cost to Government.
- The recommendation is not well thought out, and, similar to the other pension recommendations in the PERT report, is based on lack of knowledge and understanding of DB plans.
- The MHA plan should undergo a pension reform process similar to the TPP which involved utilization of pension experts – actuaries and pension lawyers – to create options and recommendations that will rationalize the MHAPP and ensure its future sustainability and funding.

9. Bring Consistency to Agencies, Boards, and Commissions

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: The NLTA supports the general principles of transparency and accountability; however, there is insufficient information/explanation in the comments preceding this recommendation to comment further.

10. Ensure Salary Transparency

The Provincial Government should:

- By law, greatly improve reporting requirements for all provincial government organizations. All wages, salaries, pension contributions by government, and other compensation information for employees, contractual or otherwise, totalling over \$80,000 annually must be made public. This includes those in receipt of public service pensions;
- Require, on the same basis, that all not-for-profit organizations and union organizations make salaries and total remuneration packages public; and
- Prohibit private sector companies and not-for-profit organizations in receipt of government funding from paying bonuses and dividends.

NLTA Response: OPPOSE

Rationale:

- The NLTA supports transparency regarding the salaries of positions paid from the public purse, but not the specific salaries of individual persons. What is of legitimate interest to the public is the salaries associated with 'positions' and the number of positions receiving the salary, not the names of the individuals in receipt of these salaries.

- The NLTA opposes the publication of the individual pensions “of those in receipt of public sector pensions.” Pensions are not paid from the public purse. Teacher pensions are 100% paid from the pension fund to which teachers and government have contributed. The amount of individual pension benefits is not determined by the employer, but is dependent on a number of factors besides salary, including personal and private information such as the number of years worked, and marital or survivor status. This is also true for Public Sector Pension Plan pensioners. Pensioners are not government employees.

The specific reference to the public sector pension plans in this section is both curious and disturbing, and another example of the obvious and consistent bias of the PERT against public sector defined benefit pension plans, which we address in Appendix 3 – a separate section of our response specific to the PERT pension recommendation.

- The NLTA opposes the release of the salaries of its employees to the general public. NLTA employees are not paid from the public purse. The salaries of NLTA employees are paid from the dues of NLTA members and all staff salaries are regularly reported to NLTA members by position, and not individual name.
- The NLTA supports the publication of bonuses and dividends paid to the positions of companies and organizations that receive government funding, but not the names of individuals in these positions.
- The NLTA opposes the recommendation prohibiting private sector companies from paying bonuses and dividends. ‘Variable compensation’ is a widely used and widely accepted model of compensation based on human resource theory that can be beneficial to a private sector company’s competitiveness, performance, and HR recruitment and retention strategy. While the NLTA does not participate in variable compensation, we believe Government would be overstepping its authority and expertise by prohibiting private sector companies from doing so. Public transparency and good governance should be sufficient to deter inappropriate bonus and dividend structures.
- The NLTA opposes variable pay in the public sector.

11. Improve Service Delivery

The Provincial Government should redefine its role in the economy, the services it offers and how these services are delivered, with a focus on accelerating new technology adoption. The private and not-for-profit sectors should deliver services where appropriate.

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: The NLTA urges caution and careful consideration regarding privatization of public services and enterprises. Government should be alert to potential bias with respect to recommendations that may be based on a philosophical preference favouring the private sector, rather than detailed economic analysis of the services currently being provided in the public sphere. Privatization does not automatically equate to improved, better or less expensive provision of services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs.

12. Launch a Public Education Campaign

The Provincial Government should begin a public education campaign aimed at informing citizens of the cost of services provided.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA generally supports efforts to improve transparency and promote an informed citizenry. However, the nature of and manner in which such information is presented is an important consideration. This recommendation appears biased against rural Newfoundland and Labrador. With respect to our unique demography and rural communities, the cost of providing essential services and the taxes paid by residents are not the only factors that should be considered/presented if a truly informative education campaign is the goal.

13. Review Union Contracts and Compensation

The Provincial Government, working with public sector unions, should develop a new compensation package. Key elements should include:

- Pensions to be converted to a collective defined contribution plan in three years;
- Measures to reduce the payroll base, such as a four-day work week for certain positions and creating seasonal positions targeted at peak demand periods;
- A wage freeze;
- Alternative service delivery models; and
- Development and promotion of work-from-home policies.

In the event that a negotiated settlement is not possible, the Provincial Government should use legislation that will be effective.

NLTA Response: OPPOSE

Rationale:

- The recommendation to convert pensions to a collective defined contribution plan in three years is an economically ill-advised and impractical idea based on a lack of knowledge and understanding and/or a prejudicial bias against defined benefit pension plans. It is without merit, and would not provide any financial benefit or relief to the Province. This recommendation has the potential to negatively impact over 60,000 NL families and, consequently, the Province. *The NLTA has prepared a separate response to this pension recommendation – see Appendix 3.*
- The PERT has dramatically overstepped its mandate by inappropriately involving itself in collective bargaining matters which are exclusively under the legislative jurisdiction of the Government of Newfoundland and Labrador and its agencies/boards as employers, and the NLTA, the bargaining agent which legally represents teachers. Any changes to salaries, benefits, or working conditions of teachers are accomplished through consultation, discussion and interest-based good faith negotiations between the parties to and in accordance with the provisions of the *Teachers' Collective Bargaining Act*.
- The recommendation that Government should enter negotiations with a decision already made to legislate pre-determined conditions is unconstitutional and contrary to any semblance of good faith bargaining and understanding of the collective bargaining process. The result would be disastrous for the integrity of the bargaining relationship between Government and the NLTA. It is important to note that neither legislation nor job action has been utilized by Government or the NLTA in the last 25+ years of collective agreement negotiations.
- Implementation of any part of this recommendation in contradiction of signed agreements, existing legislation, and constitutionally protected collective bargaining rights will be vigorously opposed by the NLTA.

14. Eliminate Nalcor Energy and the Oil and Gas Corporation

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: Government has already announced that this recommendation will be actioned. The process should occur in a manner that achieves the stated goals of improving transparency and accountability, eliminating duplication and realizing fiscal and operational efficiencies

15. Oversight of Major Projects

The Provincial Government should never undertake, on its own or through one of its Crown corporations or agencies, the planning, approval or construction of any large project (meaning a project with a budget of \$50 million or more) without:

- Engaging independent external experts to provide robust review, assessment and analysis of the project; and
- Providing well-defined oversight after consideration of oversight processes instituted in other jurisdictions.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the utilization of sector experts in evidence-based decision making and oversight; however, there should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

B. BUILDING A GREENER, TECHNOLOGICALLY ADVANCED ECONOMY

16. Develop and Implement a Green Economy Transition Strategy

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of developing and implementing a Green Economy Transition Strategy, but defers to stakeholders and sector experts regarding the specifics of the recommendations. Transition to a green economy must be properly supported and should not come at the expense of existing services and priorities.

17. Encourage Low Emission Oil and Gas Activities

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of low emission oil and gas activities, but defers to stakeholders and sector experts regarding the specifics of the recommendations. Transition to a green economy must be properly supported and should not come at the expense of existing services and priorities.

18. Ensure Competitive Oil and Gas Regulation

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of competitive oil and gas regulation, but defers to stakeholders and sector experts regarding the specifics of the recommendations.

19. Accelerate Transition to Electric Transportation

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of transition to electric transportation, but defers to stakeholders and sector experts regarding the specifics of the recommendations. Transition to a green economy must be properly supported and should not come at the expense of existing services and priorities.

20. Kickstart Hydrogen Development

NLTA Response: SUPPORT

21. Support the Technology Sector

NLTA Response: SUPPORT

22. Encourage Low Carbon Mining

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of encouraging low carbon mining, but defers to stakeholders and sector experts regarding the specifics of the recommendations. Transition to a green economy must be properly supported and should not come at the expense of existing services and priorities.

RECOMMENDATIONS 23–35:

23. Focus on Environmentally Sound Fisheries Management
24. Issuing of Fish Processing Licences
25. Facilitate Economically and Environmentally Sustainable Aquaculture – End Aquaculture Capital Equity Program
26. Facilitate Economically and Environmentally Sustainable Aquaculture – Streamline Aquaculture License and Site Approval
27. Facilitate Economically and Environmentally Sustainable Aquaculture – Work with Federal Government on Federal Aquaculture Act
28. Facilitate Economically and Environmentally Sustainable Aquaculture – Improve Knowledge Base on Wild and Farmed Salmon
29. Facilitate Economically and Environmentally Sustainable Aquaculture – assess Wild Salmon Stock
30. Promote Investment in Forestry
31. Boost Tourism and Air Access – Develop Marketing Campaign
32. Boost Tourism and Air Access – Advocate for Federal Support for Tourism and Small Business
33. Boost Tourism and Air Access – Restore and Improve Air Line Routes
34. Support the Arts Community
35. Support Community-led Economic Development

NLTA Response: CONDITIONAL SUPPORT RECOMMENDATIONS 23–35 above

Rationale: The NLTA assumes appropriate consultation with and advice from stakeholders and sector experts regarding the specifics of the recommendations.

C. REFOCUSING THE SOCIAL COMPACT TO CONCENTRATE ON THE CHALLENGES OF TODAY AND TOMORROW

36. Uplift Labour Skills – LMDA

The Provincial Government, working with the Federal Government, should:

- Prioritize adjustment funding programs for workers and begin to retrain workers for priority areas of the economy;
- Include micro-credentials for displaced workers among funded skills development opportunities; and
- Enhance current labour market information to reflect the changing labour market and opportunities in technology and the green economy.

NLTA Response: SUPPORT

RECOMMENDATIONS 37–41 ON THE K-12 EDUCATION SYSTEM

A detailed NLTA response to recommendations on the K-12 Education System is found in a separate section – Appendix 1

General NLTA Response to Recommendations 37–41:

Section 8.2 of the PERT report deals specifically with the K–12 public education system of which the NLTA is recognized as one of the key sector experts. In addition to NLTA members being the exclusive field practitioners of public K-12 education in the province of Newfoundland and Labrador, the NLTA has a legislated authority and responsibility under Section 4(a)(i) of the *Teachers’ Association Act* “to promote the cause of education in the Province by (i) affording to educational authorities, teachers, and the public in general the benefits of the collective experience and advice of teachers on practical educational matters.” The NLTA takes this professional responsibility very seriously. To that end, we have devoted a separate section – **Appendix 1** – of our response to the sections of the PERT report that deal with the K–12 public education system and the five multi-part recommendations found on pages 145–155 of the full PERT report. We have labelled these recommendations #37–41 for ease of reference.

Unfortunately, much of the commentary and ensuing recommendations for public K–12 education in the PERT report seem to be based on assumptions and generalities, as opposed to evidence-based research, real experience, or expert opinion. The NLTA will attempt to clarify some of the misunderstandings and misperceptions that are evident in the PERT commentary and provide alternative perspective and options grounded in evidence-based research and more in-depth studies conducted by educational experts. See **Appendix 1**

42. Bring Consistency to Nursing Education:

The Provincial Government should create one nursing school for the province.

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

RECOMMENDATIONS 43–46

43. Strengthen the Faculty of Medicine

44. Uplift Skills – Establish a Centre of Excellence in Green Technology

45. Uplift Skills – Update the College Act

46. Update Memorial University Act and Increase Autonomy

NLTA Response: SUPPORT RECOMMENDATIONS 43-46 above

Rationale: The NLTA support assumes appropriate consultation with and advice from stakeholders and sector experts regarding the specifics of the recommendations.

47. Improve Senior Care and Housing Options

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports improved care and housing options for seniors, but cautions against any move towards the privatization of essential services for these citizens of our province.

48. Deliver More Efficient Health Care

The Provincial Government should:

- Review the current structure and consolidate the four Regional Health Authorities into one; and
- Expand the use of telehealth and distance medicine and adopt new technology and computer systems, with a focus on excellence in service delivery.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of delivering more efficient health care, but defers to stakeholders and sector experts regarding the specifics of the recommendations. There should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

RECOMMENDATIONS 49-51:

49. Strengthen the Social Safety Net

50. Promote Social Procurement

51. Support Immigration and Retention

NLTA Response: SUPPORT RECOMMENDATIONS 49-51 above

D. IMPLEMENTING A SOLID FISCAL PLAN

52. Reduce Executive Positions in ABCs

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: The NLTA is reticent to endorse a blanket recommendation to cut positions in agencies, boards and commissions without detailed and specific analysis by relevant stakeholders and experts as to whether such cuts can be achieved in an effective manner to maintain appropriate levels of service, governance, and oversight, along with good decision making capability. There should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

53. Increase Revenue through Modest Tax Increases – Personal Income Taxes

NLTA Response: OPPOSE

Rationale: The NLTA strongly supports a progressive tax system based on one's ability to pay. We support a reasonable increase in the higher tax brackets, to be more in line with Nova Scotia and New Brunswick. We are opposed to a 1% personal income tax increase for lower and middle income earners.

55. Increase Revenue through Modest Tax Increases – Sales Tax

NLTA Response: OPPOSE

Rationale: HST is regressive, and the PERT proposal is to not have any more exemptions (in fact to reduce them) and does not include rebates, which are needed to address the regressive nature of HST.

57. Increase Revenue through Modest Tax Increases – Payroll Tax

NLTA Response: OPPOSE

Rationale: Payroll taxes unfairly tax wages and not investment income. Government should strive to make the incomes tax more progressive instead.

RECOMMENDATIONS 54, 56, 58–60:

54. Increase Revenue through Modest Tax Increases – Corporate Taxes

56. Increase Revenue through Modest Tax Increases – Gasoline Tax

58. Increase Revenue through Modest Tax Increases – Tobacco Tax

59. Implement Wealth and Property Taxes – Tax on Residences Outside of Municipal Areas

60. Implement Wealth and Property Taxes – Wealth Tax

NLTA Response: CONDITIONAL SUPPORT FOR RECOMMENDATIONS 54, 56, 58–60 above

Rationale: The NLTA supports a progressive tax system based on income, that allows relief for those least able to pay and requires more from those most able to pay.

61. Implement Wealth and Property Taxes – Probate Fees

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: The proposed tax in this recommendation is fundamentally an inheritance tax through probate fees and is being proposed as an interim measure while the Newfoundland and Labrador Government explores a 'pure' inheritance tax with the federal government and other provincial governments. Such an interim measure without proper analysis could have a higher risk than reward regarding competitiveness and positive impact for Newfoundland and Labrador. Further study of the economic impact should be conducted before acceptance of this recommendation. There should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

62. Implement Wealth and Property Taxes – Gift Tax

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: Canada does not have a gift tax. In an effective tax system, tax would have been paid on the original assets. The proposed tax could have unintended consequences on lower to middle income families as assets could be lost when passing to family members. Further study of the economic impact should be conducted before acceptance of this recommendation. There should be appropriate checks and balances in place to ensure objectivity and avoid the impact of philosophical/ideological bias in selecting and considering evidence and input from experts.

RECOMMENDATIONS 63–65:

63. Implement Luxury Tax – Luxury Vehicles

64. Implement Wealth and Property Taxes – Second Residence Tax

65. Implement Wealth and Property Taxes – Tax on Land Transfers

NLTA Response: SUPPORT 63-65 above

Rationale: The NLTA supports a progressive tax system based on income, that allows relief for those least able to pay and requires more from those most able to pay.

66. Fees and Fines

The Provincial Government should increase fees and fines by 15 per cent.

NLTA Response: OPPOSE

Rationale: The NLTA does not disagree, in general, with the concept of increasing fines and fees. However, the NLTA does oppose a blanket percentage increase in fines and fees without analysis of the specific fee and fine being levied and the ability to pay of the people who are being targeted by the fee/fine. A 15% increase in all fees may make a service or required registration unattainable for those struggling with poverty, or a fine too expensive to pay, compared to such increases being unnoticeable and/or having no deterrent impact for the wealthy. Every contemplated increase in a fee or fine should be considered in relation to the nature and importance of the associated service, and the proportionate impact on those utilizing the service.

67. Implement Fees and Fines for Non-Reporting

The Provincial Government should:

- Establish significant fines and other penalties (confiscation of assets) for non-reporting of income or performing work under the table. The fine should be large enough to be a deterrent;
- Establish a much broader compensation and disclosure list for everyone making over \$80,000 whether in public or private industry; and
- Establish a more robust Corporate Registry operated by the private sector and funded through registration fees.

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: This is a multi-part recommendation with unrelated elements which should be addressed separately.

- The NLTA supports the concept of penalties for the non-reporting of income, but the details are not provided and require further study.
- The NLTA opposes the concept of 'sunshine lists' including names of individuals making a pre-determined salary. The NLTA supports the concept of making salaries available for positions paid from the public purse. The NLTA opposes the concept of requiring private industry or individuals to make individual compensation available to the public, as such information is a matter of individual privacy.
- Regarding changes to the Corporate Registry, the NLTA defers to relevant stakeholders and experts.

68. Reduce Expenditures – Core Operations

The Provincial Government should reduce core expenditures by five per cent with no expenditure growth for six years. This would apply to all expenditures excluding grants to government entities which are discussed separately.

NLTA Response: OPPOSE

Rationale: The NLTA opposes blanket cuts to Government expenditures and services without detailed analysis on the impact to citizens, and consultation with stakeholders.

69. Reduce Expenditures – Operating Grants to Memorial University and the College of the North Atlantic

The Provincial Government should reduce its operating grants to Memorial University and the College of the North Atlantic by 5 per cent per year over six years, for a total reduction of 30 per cent.

NLTA Response: OPPOSE

Rationale: The NLTA opposes blanket cuts to expenditures without detailed analysis on the impact to students, and consultation with stakeholders. In general, cuts to post-secondary education institutions that increase barriers and lessen equitable opportunities to access post-secondary education are opposed by the NLTA.

70. Reduce Expenditures – Operating Grants to the Regional Health Authorities

The Provincial Government should reduce its operating grants to the Regional Health Authorities by 4.15 per cent per year over six years, for a total reduction of 25 per cent.

NLTA Response: OPPOSE

Rationale: The NLTA opposes blanket cuts to expenditures and services without detailed analysis on the impact to citizens, and consultation with stakeholders.

71. Reduce Expenditures – K-12 Administration

The Provincial Government should reduce administrative costs for the K-12 system and allocate these additional funds to classrooms to support the teaching of math, technology, science, and computer science, and to promote entrepreneurship.

NLTA Response: OPPOSE

Rationale: The NLTA supports the concept that all funds obtained through savings from the reduction of administrative costs associated with integration of school boards into the Department of Education should be allocated directly to support resourcing at the school and classroom level; however, the NLTA does not support restricting the use of these funds to particular subject areas without the appropriate analysis and prioritization of need by the Department of Education and other stakeholders, including input from the NLTA and teachers in the field.

72. Reduce Expenditures – Operating Grants to Newfoundland and Labrador Housing and Legal Aid

The Provincial Government should reduce its operating grants to Newfoundland and Labrador Housing and Legal Aid by two per cent.

NLTA Response: OPPOSE

Rationale: The NLTA opposes blanket cuts to expenditures and services without detailed analysis on the impact to citizens, and consultation with stakeholders.

73. Reduce Expenditures – Other Operating Grants

The Provincial Government should reduce its grants to other government agencies by 20 per cent.

NLTA Response: OPPOSE

Rationale: The NLTA opposes blanket cuts to expenditures and services without detailed analysis on the impact to citizens, and consultation with stakeholders.

74. Reconfigure the Province's Asset Portfolio – Registries

The Provincial Government should bundle and sell all or a majority interest or create a long-term concession in its motor vehicle and registry of deeds system.

NLTA Response: OPPOSE

Rationale: The NLTA opposes privatization for the sake of privatization. Consultation with stakeholders and detailed analysis on the impact to citizens should occur before any decisions on privatization of Government services are made. Privatization does not automatically equate to better or less expensive provision of goods

and services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs.

75. Reconfigure the Province's Asset Portfolio – Unregistered Land

NLTA Response: SUPPORT

76. Reconfigure the Province's Asset Portfolio – Newfoundland Labrador Liquor Corporation

The Provincial Government should sell all or a majority interest in the Newfoundland Labrador Liquor Corporation, and review how the Provincial Government taxes alcohol.

NLTA Response: OPPOSE

Rationale: The NLTA opposes privatization for the sake of privatization. Consultation with stakeholders and detailed analysis on the impact to citizens should occur before any decisions on privatization of government services occur. Privatization does not automatically equate to better or less expensive provision of goods and services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs.

77. Reconfigure the Province's Asset Portfolio – Marble Mountain

The Provincial Government should sell Marble Mountain ski resort and related assets.

NLTA Response: DEFER TO RELEVANT STAKEHOLDERS AND SECTOR EXPERTS

Rationale: Privatization does not automatically equate to better or less expensive provision of goods and services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs.

78. Advocate for Change to Federal Transfer Programs

NLTA Response: SUPPORT

SUMMARY OF NLTA RESPONSE TO RECOMMENDATIONS

The 10 pages in the PERT Report dedicated to the K–12 public education system in Newfoundland and Labrador provides a mile-high review by a team of volunteers with no expertise, experience, training or background in the K–12 education system, other than presumably having attended as students themselves. The recommendations result from what can at best be described as a cursory review of the K–12 public education system when compared to the focus and educational expertise found in the recent (2017) report of the Premier's Task Force on Improving Educational Outcomes, and a myriad of task forces, commissions, and reports that preceded it in past years and decades. In fairness to Dame Greene who authored the report, her team could not be expected to be experts in all areas of the economy and society.

The PERT made some interesting and valid general comments on the importance of early childhood learning and the K–12 public education system being an essential component of preparing Newfoundland and Labrador and its residents for the 'green economy' and to become productive contributors to the future prosperity of the Province. Many of the topics they identified and touched on overlap with the Premier's Task Force on Improving Educational Outcomes, the difference being that the Task Force focused exclusively on the K–12 public education system, whereas the PERT mandate and focus was on the entire fiscal and social fabric of the Province.

What is concerning is the recommendations made by the PERT which advocate for radical change in areas where the PERT has no experience or expertise, and where no research or evidence is provided to support these recommendations – defined benefit pension plans, hours of work for teachers, school administrators' membership in the NLTA, and legislation as a pre-determined action in collective bargaining. It would appear that, in these areas, the PERT was comfortable in making general, unsubstantiated comments and recommendations outside their area of expertise based on their general opinions and biases.

While the NLTA views the recommendations in these areas mentioned above as inappropriate, without merit, and even sometimes offensive, it was the intention of the PERT to generate reactions, as they indicate on page 3 of the report: “We hope this plan encourages conversation... Most importantly, we hope it brings Newfoundlanders and Labradoreans together for a focused discussion...” If this was their goal, then they have been successful.

Now, *The Big Reset* report is in the Premier’s hands. We hope and trust that his Government will value the input of various sector experts. In particular, we are expecting that Premier Furey and his Government will trust, value, and rely on the NLTA’s expertise when considering and reviewing the K-12 public education system, the Teachers’ Pension Plan (and defined benefit pension plans in general) and collective bargaining.

The NLTA remains committed to fulfilling its legislated responsibility “to promote the cause of education in the Province by (i) affording to educational authorities, teachers, and the public in general the benefits of the collective experience and advice of teachers on practical educational matters”, and in so doing helping prepare Newfoundland and Labrador and its people for a prosperous, healthy and secure future.

APPENDIX 1

THE K-12 PUBLIC EDUCATION SYSTEM

A. Detailed NLTA Response to PERT Report

General Comments:

A recurring theme throughout the PERT report is the importance of Government utilizing and relying upon experts when developing and implementing recommendations in their respective fields of expertise. The NLTA supports the concept of evidence-based decision making supported by the advice of experts in the particular sector/field under review. With that in mind, it is relevant to point out that the PERT did not have any members with expertise, training, or background in K-12 public education, and that the experts in the Newfoundland and Labrador K-12 public education system are the educational practitioners represented by the NLTA, Memorial University Faculty of Education, and educational specialists at the Department of Education.

Further, Government has recognized that the NLTA is an authority on the K-12 public education system as per section 4(a)(i) of the *Teachers' Association Act*, which states that the NLTA has the legislated authority and responsibility "to promote the cause of education in the Province by (i) affording to educational authorities, teachers, and the public in general the benefits of the collective experience and advice of teachers on practical educational matters."

It is therefore incumbent upon Government to consider and value input from the NLTA when considering the recommendations of the PERT report and any potential changes to the K-12 public education system.

PERT Recommendations 37 – 41

NLTA General Response:

In July 2017, Government received the report of the Premier's Task Force on Improving Educational Outcomes, titled *Now is the Time*, which was "a reflection of the knowledge gained from jurisdictional reviews, current research, and a review of good practices" intended to "provide the basis for improving educational outcomes and will inform the next chapter in education in NL." The 173-page report, written by four experts holding doctoral degrees in education disciplines and selected by the Independent Appointments Commission, contained 82 recommendations, a 20-page bibliography, and an extensive list of stakeholders (including the NLTA) who were consulted during the research for the report. The recommendations were accepted by Government and plans began in 2018 to implement them on the basis of short (1-2 years), medium (3-5 years), and long term (>5 years) implementation timeframes. These recommendations were the result of evidence-based research and significant consultation with and input from public education stakeholders and experts in our province, including the NLTA. Most of the topics which the PERT touched on in its 10-page discussion, analysis, and recommendations concerning the K-12 education system were previously, and recently, researched and addressed in the 2017 report of the Premier's Task Force.

In light of this recent study and Government's ongoing work to implement the resulting Education Action Plan, the NLTA questions how and why the PERT recommendations regarding K-12 public education would suddenly become the focus/priority, particularly given the PERT members' lack of experience and expertise in public education.

For completeness, we offer the following responses to the specific PERT recommendations and sub-recommendations on K-12 public education.

37. Uplift Skills – Improve K-12 Student Success

The Provincial Government should:

- Assess the education system to identify the current gaps in education related to the changing labour market and the new economy.

NLTA Response: SUPPORT

Rationale: The NLTA supports efforts of the Department of Education to ensure the public school curriculum is current and consistent with and responsive to realities in our society and labour market demands.

- Adapt the curriculum to better prepare children for the advanced technological economy and provide them with needed skills in math, science, reading, and computer science and promote self-managed learning and entrepreneurship.

NLTA Response: CONDITIONAL SUPPORT

Rationale: While the learning areas identified are no doubt important, they are not the only critical elements of a well-rounded, quality public education, which should be concerned with the overall development and well-being of the whole child. Additionally, on what basis has the PERT determined that curriculum changes alone are what is required to achieve improvement in these particular curricular areas?

- Formalize an approach for community-based partners to work with youth to offer alternative education settings for 16- to 19-year-olds who are struggling in the traditional classroom.

NLTA Response: OPPOSE

Rationale: The NLTA supports alternative education settings for at risk youth, but the Department of Education must maintain responsibility for these settings and is best positioned to determine their organization. A fundamental, essential public service such as K-12 education should not be delegated or privatized. Privatization does not automatically equate to better or less expensive provision of services to citizens, but certainly does equate with the additional expense of profit for shareholders being passed onto the public, and often results in job losses and lower paying jobs.

- Add social workers to the K-12 system to connect families and students with broader community supports and services to address underlying issues impacting attendance.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the retention and integration of professionals – educational psychologists, speech-language pathologists, social workers, nurses, occupational therapists – within the K-12 system as part of the school team supporting students, parents, and teachers. The key element is that they be school(s)-based and integrated within the K-12 structure as part of the school/system educational team. Further analysis and consultation with stakeholders is required to achieve timely access and optimal use of these resources.

- Better use technology to supplement learning options.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the efforts of the teachers, school administrators, school district and Department of Education officials to effectively use technology in the equitable delivery of the curriculum to students. We are hesitant to unconditionally support this recommendation as it is unclear what the PERT means by “better” or “learning options.”

38. Improve Supports in Schools

The Provincial Government should ensure non-teaching professionals in the school, particularly educational psychologists and guidance counsellors, are working to their full scope of practice and in coordination with health authorities. Supports should be offered to children who need them as early as possible.

NLTA Response: OPPOSE

Rationale: The NLTA supports the roles and expertise of educational psychologists and guidance counsellors, working in their full scope of practice as part of an integrated school/system team and supporting students to successfully access public education programming. However, we oppose the PERT recommendation because

the discussion and preamble to the recommendation demonstrate a lack of understanding of the background, role and day-to-day work of educational psychologists and guidance counsellors. Educational psychologists and guidance counsellors are primarily teachers by their initial training who have pursued graduate work in school counselling or educational psychology, and then take on these particular roles in schools, supporting students and the entire school community. They are an integral part of the school team. The PERT recommendation seems to be based on equating educational psychologists and guidance counsellors with health care workers and the misguided notion that they “only work during school hours”, i.e. 9:00 – 3:00. There appears to have been no effort made to become informed on the nature of a comprehensive school guidance program. There does not seem to be any understanding that significant after “school hours” time is spent in writing reports and assessments, preparation, consultations, and the performance of a multitude of responsibilities independent of whether school is open or not.

39. Uplift Skills – Improve K-12 Community Connections

The Provincial Government should:

- Modify policies to allow schools to welcome community experts, particularly in areas where teachers do not have expertise, such as entrepreneurship, coding, and emerging technologies.

NLTA Response: OPPOSE

Rationale: Schools regularly welcome community experts as guest presenters in classes under the direction of qualified, certified teachers. Policies do not need to be modified for this to occur and continue. The NLTA is opposed to uncertified individuals taking on instructional responsibilities in the public school system. The NLTA recommends that the Department of Education consider the development of a database and/or approval process for community experts to present in schools (in person or virtually as coordinated by the classroom teacher or school) in various areas outside the expertise of teachers.

- Replace the current approach to Career Development with methods to connect community and local employers to students. This needs to start in younger grades with a more focused approach starting in Junior High School.

NLTA Response: NEITHER SUPPORT NOR OPPOSE

Rationale: There is a shocking lack of specificity in this recommendation and the PERT report commentary that precedes it. Schools have always had the option to develop and implement ways to expose students to local employers and community leaders. It is unclear in the report how this would be replaced in earlier grades or what the vision for a new approach overall should look like. There is also a complete absence of reference to the considerable attention devoted to this topic in the 2017 report of the Premier’s Task Force on Improving Educational Outcomes.

- Review School District policies related to community use of school properties to ensure greater alignment with community and regional needs.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The NLTA supports the concept of community use of school facilities but there are significant logistics and risks associated with school building use/rental by community partners, including legal risk and liability for damage, security of the school building and contents, costs of cleaning, maintenance, and supervision, as well as wear and tear, etc. Community use must be predicated on the condition that school related and approved student activities are prioritized, and that community use cannot interfere with or impede school programming needs.

40. Uplift Skills – Streamline K-12 Administrative Structure

The Provincial Government should:

- Streamline the administrative structure by eliminating the two school districts with a goal to spend less on administration and reinvest that money directly at the school level.

NLTA Response: NEITHER SUPPORT NOR OPPOSE

Rationale: The decision to eliminate the English School District has been announced in Budget 2021. The NLTA looks forward to meaningful consultation with the Department of Education to ensure the transition to an alternative educational administrative structure is smooth and effective for NLTA members.

With that being said, the NLTA recommends caution and suggests Government learn from the experiences of our counterparts in other Atlantic provinces where school boards have been eliminated and subsequent problems/difficulties were encountered. In particular, New Brunswick eliminated its school boards in 1997, but reversed this approach four years later. PEI disbanded its English School District in 2015, but is now considering reversing that move. Nova Scotia eliminated school boards in 2015, but public frustration is being expressed. Government should not miss the opportunity to examine and learn from these events, which would be helpful in avoiding pitfalls and planning an effective and successful transition.

The NLTA supports the principle that savings realized through streamlining administrative structure should be reinvested directly at the school level. The NLTA does not, and will not, support any downloading of administrative responsibility on teachers or school administrators on top of their current workloads which would, absent additional resources, detract from teaching and instructional leadership responsibilities.

- Place program administration within the Department of Education and adopt a shared services model for HR, IT, payroll, maintenance, etc.

NLTA Response: CONDITIONAL SUPPORT

Rationale: The decision to place program administration within the Department of Education and adopt a shared services model for HR, IT, payroll, maintenance, etc. has been announced in Budget 2021. These critical system operations and supports have a significant impact on NLTA members and must be adequately resourced and competently staffed, regardless of how or by whom they are administered. The NLTA looks forward to meaningful consultation with Government on this initiative.

- Ensure principals, vice-principals, and other supervisory staff are not members of the Newfoundland and Labrador Teachers Association (NLTA).

NLTA Response: OPPOSE

Rationale: The NLTA was established in 1890. For 131 years, school administrators have been an integral part of the NLTA and the K-12 public education system based on one professional association for teachers and a collegial model of school leadership. This recommendation would dramatically alter the leadership approach and the working climate in schools, having a drastic impact on the collaborative and supportive school culture and environment in the Newfoundland and Labrador public education system. The PERT recommendation is based on two stand-alone sentences in the report, without any mention of educational, administrative, or fiscal benefit to the Province, and is unsupported by any reference to documented facts or supporting evidence. This recommendation is and will be vehemently opposed by the NLTA.

A detailed NLTA response on this specific recommendation is found in a separate section – Appendix 3

- Dissolve volunteer school boards and replace with one volunteer Provincial School Advisory Council. This Provincial Council will be connected to existing School Advisory Councils to link parents, families, and communities more strongly to the school system to enhance collaboration and greater accountability.

NLTA Response: NEITHER SUPPORT NOR OPPOSE

Rationale: Government has already decided to action this recommendation. The NLTA values the role of school councils, parents, community members and groups as important partners in the school community, and looks forward to a meaningful consultation process on this initiative.

- Change school opening and closing hours to an eight-hour day for teachers, so that they can use some non-teaching time during the work day for professional upgrading and collaboration.

NLTA Response: OPPOSE

Rationale: This recommendation demonstrates a total lack of understanding and appreciation of the roles and responsibilities of teachers, the practical operations of schools, and the realities of teachers' workdays. The absence of basis for and implications of this recommendation are an insult to the profession. This recommendation will be vehemently opposed by the NLTA.

Research in every educational jurisdiction, including Newfoundland and Labrador, has determined that a teacher's work week already exceeds 40 hours per week. In his study, *It's About Time*, Dr. David Dibbon, former Dean of the MUN Faculty of Education, found that teachers in this Province work on average 46.67 hours per week to perform required professional duties, and that this increases to more than 52 hours per week if you include the voluntary activities that add so much to our schools and contribute to the overall social and emotional health of students. Five hours per day is merely the minimum legislated daily instructional time. There is no guaranteed preparation time during the work day for teachers in this Province. Besides classroom teaching, a teacher's roles and responsibilities include lesson planning and preparation for instruction; developing and evaluating assessments; writing reports; supervising students before class, during recess and lunch breaks, and following dismissal; making contact with families; attending after school meetings with parents and colleagues; and, volunteering their time for extracurricular activities, including sports, music, drama, and student leadership programs. This list is not exhaustive. When does the PERT think all of these required and voluntary professional activities occur? While they clearly don't know, the answer is that the bulk of these activities occur outside normal "school opening and closing hours."

This baseless conclusion that extending official school operational hours will somehow create new opportunities for collaboration or professional learning is uninformed and insulting to the professional teachers of the Province.

- Enhance partnership approaches with Indigenous governments, organizations, and communities to ensure culturally appropriate curriculum and school approaches for all children to promote understanding and reconciliation.

NLTA Response: SUPPORT

Rationale: It should be noted that the Premier's Task Force on Improving Educational Outcomes devotes a chapter (*Chapter 5– pages 81–88*) to Indigenous Education, including four specific recommendations.

41. Uplift Skills – Strengthen Memorial University's Faculty of Education

Memorial University and the Department of Education should:

- Hire an independent expert to conduct a review of Memorial University Faculty of Education's curriculum and graduation standards to ensure that all new K–6 teachers can teach math, reading, basic technology, and computer skills.

NLTA Response: OPPOSE

Rationale: The NLTA supports a strong Faculty of Education at Memorial University that is responsive to any identified needs and priorities in teacher education. There is always room for improvement. However, the PERT report identifies no evidence basis for its insulting assumption that primary/elementary B.Ed. graduates from Memorial University do not have the necessary background and skills to provide effective instruction in the basics of the K-6 curriculum. Graduates from the Faculty of Education at Memorial University are highly sought after and aggressively recruited by school boards and education authorities from across the country and around the world. With respect to technology, during the pandemic, current teachers, graduates of Memorial University, have led the way, volunteering their time and talents in offering leadership and professional learning and support to their colleagues on the use and integration of technology in teaching and learning. Further, in what other profession are practitioners expected to exit initial university degree programs without the need to practice and refine their skills and expertise through practical experience in their field? This

recommendation, and the baseless assumptions which underlie it, reveal a concerning level of disrespect for the teachers of this province.

Conclusion

The PERT makes some general statements regarding the importance of the K-12 public education system that are worth noting. On page 145, the PERT Report states: "A well-educated population is a necessity for a successful province and Newfoundland and Labrador has a strong foundation that can be built on." On page 171, the report notes that "In 2016, 91.3 per cent of people in the province aged 20-24 had completed high school. This is above the national average of 89.7 per cent," but for those aged 45-54, Newfoundland and Labrador is below the national average. This demonstrates the progress that has been made in recent decades.

In terms of future goals, the NLTA agrees with PERT when it states: "The province must ensure it has a world-class education system accessible to all, that its seniors are supported to have as much independence and self-determination as possible, and that its social programs treat people with dignity." The NLTA proposes that the best means of achieving these goals in the context of the K-12 public education system is to recognize that education is an investment in the Province's future. Access to quality public K-12 education is a proven social determinant of health and contributes to greater economic productivity, higher employment levels, and lower demands on public supports and services in social services, health care and the criminal justice system. Moving forward, the NLTA looks forward to meaningful consultation with Government on matters relevant to our members and the K-12 public education system in Newfoundland and Labrador.

APPENDIX 2 SCHOOL ADMINISTRATORS – NLTA MEMBERS

A. Introduction

The NLTA was established in 1890. For 131 years, school administrators, whether called headmaster, principal, vice-principal, assistant principal or other name, and program specialists or coordinators, have been an integral part of the NLTA and the collegial model upon which the Newfoundland and Labrador K-12 public education system is based.

On page 153 under *“Uplift Skills – Streamline K-12 Administrative Structure,”* the PERT report makes a recommendation to dramatically alter the collegial model, and drastically impact the collaborative and supportive culture and school environment of the public education system when they state, *“Ensure principals, vice principals, and other supervisory staff are not members of the Newfoundland and Labrador Teachers’ Association (NLTA).”*

Two sentences in the PERT report represent the sum total of discussion and basis for this recommendation: *“Another concern in the K-12 system is that principals and other management are part of the union that represents all teachers. Being in the same union puts administrators in conflict with the people they supervise; principals do not always have the ability to address issues among their staff and students.”*

There are no references provided as to who has expressed this concern, no support for or evidence of the allegations of conflict, and no evidence or examples of principals being unable to address issues among staff and students. There is no explanation of how membership in the NLTA would be the cause of these alleged problems, or how removal from the NLTA would alleviate same. There is no discussion of how removal of administrators from the NLTA would improve educational outcomes for students, make the administration of the school system more effective, or provide a fiscal benefit to the education system or to Government.

There is a reason why there is no supporting information cited for this recommendation. The removal of school administrators from the NLTA would: NOT improve educational outcomes; NOT make the administration of schools and school systems more effective; NOT provide fiscal savings or efficiencies. To the contrary, removing school administrators from the professional association for K-12 educators would negatively impact the education system, negatively impact school administration and the working culture and climate in schools, and would lead to increased administrative costs for the Province.

The NLTA rejects this recommendation as it has no merit, and vehemently opposes it on the basis that it will indeed be detrimental to the K-12 public education system.

The following sections of this Appendix discuss the role of school administrators as both colleague and manager within the school system, along with the educational, supervisory, and fiscal aspects of school administrators being members of the NLTA.

B. The Schools Act

• Responsibilities of the School Administration – Section 24

The responsibilities and authority of principals are itemized in Section 24 (3) of the *Schools Act*. These responsibilities are extended by practice to assistant principals.

- 24.(3)** *A principal of a school shall, subject to the direction of the board,*
- (a) provide instructional leadership in the school;*
 - (b) ensure that the instruction provided by the teachers employed in the school is consistent with the courses of study and education programs prescribed or approved under this Act;*
 - (c) ensure that the evaluation and grading of students is conducted in accordance with generally accepted standards in education;*
 - (d) evaluate or provide for the evaluation of programs offered in the school;*
 - (e) manage the school;*
 - (e.1) promote a safe and caring learning environment;*
 - (f) maintain order and discipline in the school and on the school grounds and at those other activities that are determined by the principal, with the teachers of the school, to be school activities;*
 - (g) promote co-operation between the school and the communities that it serves;*
 - (h) provide for the placement of students in courses of study and education programs prescribed or approved under this Act;*

- (i) provide for the promotion and advancement of students;
- (j) evaluate or provide for the evaluation of teachers employed in the school;
- (k) annually provide a report with respect to the school;
- (l) ensure a student record is established and maintained for each student in the school;
- (m) where the school is a French first language school, promote cultural identity and French language in the school; and
- (n) carry out other duties assigned by the board.

There are two fundamental themes captured by this list of responsibilities: firstly, the provision of instructional leadership; and secondly, to manage the school. The *Schools Act* clearly gives principals the authority and responsibility to supervise and evaluate teachers. The collective agreements and employer policies clearly outline the processes for the supervisory functions to occur with effectiveness and minimal conflict between school administrators and teachers and the NLTA.

- **Responsibilities of Teachers – Section 33**

The responsibilities and authority of teachers are itemized in Section 33 of the *Schools Act*.

33. *A teacher's responsibilities shall include*

- (a) providing instruction to students and encouraging and fostering student learning;
- (b) promoting goals and standards applicable to the provision of education approved under this Act;
- (c) teaching the courses of study and education programs that are prescribed or approved under this Act;
- (d) regularly evaluating students and periodically reporting the results of the evaluation to the student and his or her parent;
- (d.1) promoting a safe and caring learning environment;
- (e) under the direction of the principal, maintaining and supervising order and discipline among the students while they are in the school or on the school grounds and while they are attending or participating in activities that are determined by the principal, with the teachers of the school, to be school activities;
- (f) where the teacher is employed in a French first language school, promoting cultural identity and French language in the school; and
- (g) carrying out those duties that are assigned to the teacher by the principal or the board.

For teachers, there are also two fundamental themes reflected in this list: providing instruction to students; and, promoting education and learning. The *Schools Act* is clear that teachers are under the supervision and direction of principals.

The *Schools Act* is therefore unambiguous and clear with respect to the professional relationship between principals and teachers, and the supervisory authority of principals over teachers. It is also clear that there is a shared and overlapping professional responsibility for both school administrators and teachers to foster and promote education in a safe and caring environment, which lends itself to the collegial model of leadership. There is no inherent conflict between principals and the “people they supervise”, and the *Schools Act* provides principals with the “ability to address issues among their staff and students.”

A. Educational Aspects

In this Province, there is no value added to K–12 education in removing principals, vice-principals and program specialists from membership in the NLTA. The collegial model of leadership works. The fundamental responsibility of principals is to provide instructional leadership in the school, pursuant to the *Schools Act*. Principals and vice-principals are, in effect and appropriately, the lead teachers in their schools – they are required to be certified as teachers, and are teachers first. Most vice-principals and a number of principals in Newfoundland and Labrador have teaching responsibilities in addition to their administrative roles. There is no clear delineation of manager versus a teacher. Schools are unique and dynamic workplaces and, while no system is perfect, our current context promotes unity in the profession while allowing for role clarity. This balance promotes collegiality and avoids an adversarial relationship between principals and teachers which is often seen in the strictly management-employee relationship found in some jurisdictions. The collegial model remains effective in Saskatchewan, Alberta, New Brunswick, and Prince Edward Island, in addition to Newfoundland and Labrador.

In provinces that have removed principals from membership in their teacher associations, the decision has been forced on school administrators through legislation, due either to acrimonious labour relations between government and the respective teacher association, or to conservative governments' ideological affinity for a right wing, anti-union perspective. Neither of these conditions exists in this Province. There has not been a job action involving NLTA members in more than 25 years, and only two job actions in the entire history of the NLTA. The roles of the NLTA as set out in the *Teachers' Association Act* are "to promote the cause of education in the province" and to "elevate and unify the teaching profession." The object of the NLTA as a professional association that promotes the cause of education, has facilitated a very collaborative and generally productive partnership with the school districts and the Department of Education, especially in the area of professional development. In other jurisdictions where school administrators have been removed from a common professional organization for teachers, this relationship does not exist and much time, energy and effort has been redirected to dealing with union issues or other hierarchical conflicts.

The NLTA has been the primary source of both leadership development and professional development for school administrators and educational administrators in the public education system. The result has been a symbiotic relationship between the NLTA, the school districts and the Department of Education. Shared leadership development initiatives create a pool of potential leaders from which school administrators, school district administrators, and Department of Education leadership have been drawn. The NLTA contributes significant resources to assist in this regard because it is recognized that effective leadership at all levels of the education system is beneficial to the promotion of education – a goal shared by the NLTA, the employer, and the Province. In the absence of NLTA participation, a critical support for the development of future school administrators would be lacking. It is essential for principals and assistant principals to remain members of the NLTA for this mutually beneficial leadership development to continue.

The School Administrators' Council (SAC) is an extremely important special interest council of the NLTA, of which all school administrators are members. As a professional learning community, SAC is dedicated to life-long learning and the professional growth of administrators. SAC offers annual professional development opportunities for administrators, including hosting/organizing local, regional and national events, as well as supports and structures for administrators to collaborate, share resources, concerns, and solutions. Outside of the NLTA, such important professional development would become the responsibility of the employer.

B. Managerial Aspects

In Newfoundland and Labrador, there is no administrative advantage or value in removing principals and vice-principals from membership in the NLTA.

The industrial model of organizational structure of the nineteenth and twentieth centuries was based on a pyramid-shaped hierarchical structure with the 'boss' at the top, a few managers and foremen in the middle, with workers at the base of the organization obediently following the rules provided to them. As society became more educated and work in general became more specialized, organizational structure evolved to recognize the value of input and contributions from workers. Modern organizational behaviour theory of the twenty-first century now emphasizes a 'team' approach where possible. 'Managers' are replaced by 'team leaders', and organizational structure has generally flattened, especially in professional environments. There is an emphasis on collaboration, input and shared decision making in order to achieve the best decisions. Within these structures, it is recognized that ultimate decision-making authority rests with the team leaders and the directors, and understood that the amount of collaboration and input is dependent upon the urgency and nature of the decision.

This modern structure of organizational behaviour and team leaders has always been evident in the education sector. With respect to the teachers, school administrators, and district/system level administration, the K-12 public education system has been at the leading edge of current organizational behaviour approaches. The teaching profession, made up of teachers, department heads, vice-principals, principals, and district and system administrators, is a highly educated, relatively homogenous group. Its structure is such that it is essential for the leaders to come from the ranks of teachers. At every level of the system, including the classroom, teachers must exercise their individual professional judgement to fulfill their legislated responsibilities. The education system functions most effectively when teachers and school administration are working for the same goals, all oars pulling in the same direction to use a traditional phrase, following consistent policies and curriculum, which is best implemented through the collegial model. The collegial model of principal as the lead teacher has been an effective model for the past 131 years, and continues to be the most effective model for a successful K-12 public education system.

C. Balancing the Roles of Manager and Colleague

What of the argument, made by those whose experience lies with the industrial model of organizational structure, that the managerial responsibilities of a principal conflict with their role as a colleague and member of the team of teachers they lead? On one hand, a principal as a colleague is part of a collegial group that works toward a common purpose, and on the other hand, a principal is an administrator with specific managerial responsibilities delineated in the *Schools Act*.

Modern organizational behaviour theory recognizes the team approach in the collegial model as an effective means of balancing these interests. Webster's dictionary defines *colleague* as "an associate in a profession"; and goes on to define *collegial* as that which is "characterized by equal sharing of authority". In reality, there is no jurisdiction where the authority and power is shared equally among all teachers on a school staff. In fact, the *Schools Act* clearly states that principals (and in practice vice-principals) have certain authority and responsibility beyond those given to the rest of the teaching staff.

So, how then does the concept of collegiality apply to the school environment? In simple terms, the collegial model generally refers to the environment in the school whereby classroom teachers and school administrators work closely together in the spirit of cooperation and with the same community of interests. The principal and vice-principal are not looked upon as managers but as fellow teachers working together to accomplish the same goals. In the collegial model, the principal and the vice-principal are not considered to be in a separate camp as agents of the employer, but are looked upon as head teachers who provide leadership to the staff. While it is recognized that the principal has management responsibilities, the collegial model works on the assumption that these can best be carried out, and the goals of the system can best be accomplished, through cooperative leadership instead of top-down, directive management. The modern view of the collegial model of school administration focuses on instructional leadership as a key element of the role of the principal.

The Newfoundland and Labrador Teachers' Association has a specific policy, *Collegial Model/Association Membership*, that espouses the following basic principles of educational leadership:

1. *Educational administration exists to promote the achievement of educational goals.*
2. *The educational function is not divisible along lines which can be clearly ascribed to "management" or "labour".*
3. *All teachers have a responsibility to be participants in the administrative process.*
4. *The administrator's role is that of an educational leader among teachers.*
5. *A better educational climate is to be found where members of the Association enjoy high morale, where they work together enthusiastically, where the administrator is a professional co-worker on a professional team. These principles, which have been developed over many years, are rooted in the experiences of education and are fundamental to the profession. The Association recognizes that there are role differences within the educational process; that administrators, in their role as leaders, are often assigned managerial responsibilities. Notwithstanding, all teachers can operate most effectively as colleagues within the ranks of the one professional teachers' association.*

The modern role of school administration is focused on the three Cs: consultation, collaboration, and cooperation. In the March 2002 edition of the National Association of Secondary School Principals magazine it was noted: "The principal....can no longer serve as sole decision maker and holder of power. She or he will instead be a facilitator and a resource for the teachers. The leader's focus should shift from making decisions and taking action to 'coaching, mentoring, and being a role model for responsibility'." The difference between the principal as manager and the principal as instructional leader is a difference in focus. There is significant scholarly research (Debovise, Houtchens as two examples) showing that principals as managers focus on 'running a smooth ship', whereas principals as instructional leaders focus on learning and instruction. Debovise concluded that, "principals as instructional leaders adopt a much broader focus in their administration of the school and include in their role the creating of collegial relationships with and among teachers. The development and promotion of such a collegial body can do much to assist the principal in his or her decision-making role."

Balancing the roles of being both a manager and a colleague occurs in the method of decision making in the school and the means used by the principal to make "management" decisions. Acting as a manager under the industrial model, decisions are taken based on whatever information the individual has before them and these decisions are then communicated through the downward chain of command. This does not work well in the school setting.

Taking a shared decision-making approach within a collegial model of instructional leadership, the principal of a school recognizes that they cannot and do not have all of the information necessary to make all of the decisions affecting students and teachers. This model recognizes that the administrator is a leader among a team of professionals, each of whom have their own expertise, knowledge and experience within the field of education. The effective administrator draws on that expertise and background to gain further input into, and hopefully improve, the decisions that are being made. Treating the teaching staff as a team of colleagues and not as a group of workers to be “managed” is the essence of this approach, which is intended to provide the “best” solution to every problem. Such an approach not only leads to a “better” decision, but also helps to ensure that teachers feel their input is valued as part of the decision-making process. Considering the input of teachers acknowledges their professionalism and helps to build a broader base of support for the ultimate decision since it seeks the advice of those who will be affected by the decision. It also helps to develop future administrators. Whether the input from teachers is ultimately accepted, partially accepted, or rejected, a decision will be more widely accepted because these perspectives have been solicited and considered before the decision is made. Consulting with those affected by decisions and sharing the rationale for the path chosen enhances workplace relationships and builds support for actioning the decisions made. That said, it is recognized and accepted by teachers and the NLTA that the Department of Education and the school districts have authority to establish policies and rules, and the principal has authority to operationalize those policies within the school.

As the “manager” of the school, the principal is charged with carrying out certain management functions delegated by the school district as the employer of teachers. Many of these functions are governed as well by the collective agreements, including Article 6 – Employment of Teachers (hiring), Article 7 – Probationary Period and Tenure, Article 9 – Layoffs, Article 10 – Disciplinary Action, Article 14 – Evaluation, Article 29 – Workload, Article 57 – Discrimination and Intimidation, and Article 58 – Harassment (Article numbers referenced refer to the Provincial Collective Agreement). Whether school administrators are members of the bargaining unit or not does not impact their ability to properly carry out the managerial functions of participating in the hiring of teachers, determining teacher assignments, evaluating teachers, making tenure recommendations, ensuring appropriate behaviour of teachers, and consulting with school district human resources officials on discipline matters. There are clear employer processes, policies, and procedures to follow. Given that the employer, principals, teachers and the NLTA are all bound by the provisions of the collective agreements, principals and vice-principals are not impeded from properly fulfilling their managerial responsibilities.

Instructional leadership and management cannot be viewed in isolation. Principals cannot be instructional leaders if they are not good managers. Teachers will not want to be led by a leader who cannot effectively manage a school. However, management ability alone is not enough. Principals must consistently recognize that they are working with a group of colleagues who each have their own expertise, knowledge and abilities and who each have something to contribute to the operations of the school. This is how the roles of instructional leader and manager are balanced. It is best accomplished when principals and teachers are all members of the same professional association with the shared goal of promoting the cause of education.

D. Fiscal Aspects

In Newfoundland and Labrador, there is no fiscal advantage or benefit to the Province in removing principals and vice-principals from membership in the NLTA.

In fact, there is significant advantage, both financially and operationally, for the employer to have all educational personnel in the K-12 system represented by one professional association and bargaining agent. In provinces where school administrators are not part of the teachers’ bargaining unit, the school administrators have organized their own representative associations, and additional cost in financial and human resources must be expended by the employers in these provinces to negotiate and maintain separate terms of employment arrangements for different employee groups.

In making their recommendation to remove school administrators from the NLTA, the PERT did not and cannot point to any fiscal savings for Government that would occur as a result of implementing this recommendation.

E. Conclusion

It is significant to note that the Premier’s Task Force on Improving Educational Outcomes, in its extensive and recent review of the provincial K-12 education system, did not identify school administrators being members of the NLTA as an issue of concern. It would be fair to say the reason for this was that, based on the considerable education expertise and experience of the Task Force members and the effectiveness of the current model, it is, indeed, not a problem and the change recommended by the PERT would not improve educational outcomes.

The PERT recommendation is inconsistent with the team approach and philosophy of modern organizational behaviour theory, is based on an outdated model of hierarchical organizational structure, and is not suited to the public education system. There is no educational, managerial, or fiscal benefit to removing school administrators from the NLTA. The recommendation to remove school administrators from the NLTA is effectively a solution looking for a problem. The lack of evidence, research or any support for the recommendation reveals an underlying bias among the PERT members, thinly disguised as the “fix” for a problem that doesn’t exist.

APPENDIX 3 PENSIONS – WHAT WE NEED TO KNOW

A. Newfoundland and Labrador Government Pension Obligations

The total pension obligations of Government were approximately \$4.9 billion as of March 31, 2020 according to the Public Accounts Consolidated Financial Statements referenced on page 41 of the PERT report. Included in this amount is a promissory note of over \$2 billion issued by Government to Provident10, the independent corporation created in 2015 during pension reform to administer the Public Service Pension Plan (PSPP), and a promissory note of approximately \$1.7 billion issued by Government to the Teachers' Pension Plan Corporation (TPPC), the independent corporation created in 2016 during pension reform to administer the Teachers' Pension Plan (TPP). These promissory notes are fully enforceable instruments of debt issued by the Province as part of the pension reform agreements which created joint sponsorship of the TPP and the PSPP, and are assets of the respective plans. For some reason that the NLTA does not understand, the promissory notes are lumped together with the pension liabilities of three different pension plans of which Government is the sole sponsor and trustee, and recorded as unfunded pension liabilities. In reality, the two promissory notes are debt owed to the two independent pension corporations, no different than any debt owed by the Province. They are 'unfunded' in the sense that all debt is 'unfunded.'

The PERT recommendation – *Pensions to be converted to a collective defined contribution plan in three years* – would not relieve Government of its obligation to pay the promissory notes, or reduce Government's debt in any way. These promissory notes, which were issued primarily to pay for the pre-reform pension obligations Government had accrued to already retired teachers, are similar to any Government bond held by banks or other entities to which the Province owes money. They are enforceable financial instruments which must be paid regardless of whether there is a move to a future defined contribution plan or not. Government simply does not have the ability, through legislation or otherwise, to arbitrarily change the TPP for already retired pensioners.

The PERT pension recommendation should be disregarded as an economically ill-advised and impractical idea which would not provide any financial benefit or relief to the Province. A pension recommendation that warrants serious consideration is that Government should explore beginning a process to reform the remaining defined benefit pension plans it sponsors which have not undergone reform, including the MHA Pension Plan. All of the remaining plans under government administration and sole trusteeship are under-funded and have unfunded liability. Reform similar to that which occurred with the TPP and the PSPP would undoubtedly result in reducing Government's financial pension liability and create sustainable defined benefit pension plans, as has already occurred due to reform of the Teachers' Pension Plan and the Public Service Pension Plan.

B. The TPP Pension Reform Process and Results

The PERT report contains errors and misleading information with respect to the results of the pension reform process that occurred from 2012-2016 which we find necessary to correct and clarify. The pension reform process for the TPP should be viewed as an incredible Newfoundland and Labrador success story and a model to be emulated when Government is addressing structural and/or operational problems. The following is a brief review of the reform process of the TPP, and the results.

Pension reform of the Teachers' Pension Plan and the Public Service Pension Plan was a collaborative effort of Government and the participating unions during four years of intense effort from 2012-2016. In the case of the TPP, when the pension reform process began in 2012, the funded ratio was 52.5%, the unfunded liability of the TPP was \$2.1 billion (source: 2012 TPP Actuarial Valuation), the liability was expected to continue to grow, and the TPP Fund was expected to be exhausted by 2030. Government was responsible for 100% of this liability and future pension obligation.

Some of Canada's leading pension actuaries, pension lawyers, and pension investment specialists were engaged to review the problem, develop options and make recommendations. The process concluded in 2016 with the adoption by the NLTA and Government of the recommendations of the pension experts and culminated in the creation of the Teachers' Pension Plan Corporation (TPPC), a corporation governed by an expert board of directors with defined and specialized skill sets, independently run by pension experts, and now responsible for pension administration and investment of the pension fund assets of the TPP. As a result of the reforms finalized in 2016 by the Joint Sponsorship Agreement, the NLTA became a joint sponsor of the TPP with Government, and the NLTA agreed to share 50% of any future unfunded liability; teachers agreed to

reduce their benefits by \$368 million and agreed to pay higher pension contributions (now 11.35% of salary). Government issued a promissory note to the Corporation for \$1.862 billion primarily to pay for its pre-reform pension obligations to teachers who were already retired at the time of pension reform. These actions (and others) reduced Government's debt and pension obligation, and made the plan financially sustainable.

This binding and comprehensive Joint Sponsorship Agreement contains a well-designed corporate and governance structure and risk management considerations, along with a detailed funding policy which ensure the sustainability and success of the TPP to 2046 and beyond. This Joint Sponsorship Agreement was supported unanimously by all parties in the House of Assembly.

Pension reform established the Teachers' Pension Plan Corporation as an independent statutory pension corporation, and not an agent of the Crown. The TPPC now professionally administers the Plan and invests the fund's assets. The results have been incredible. The TPP is now fully funded with a surplus serving as a contingency fund. The December 31, 2020 Audited Financial Statements of the TPP show net assets available for benefit of \$5.98 billion and an accrued benefit obligation of \$5.20 billion for a funded ratio of 1.149 and a surplus of \$774.6 million (Annual Report of the Teachers' Pension Plan Corporation www.tppcni.ca). Pension administration and investment is no longer the responsibility of Government, but occurs through the independent Corporation, which enabled a reduction in the number of Government employees to occur.

Unfortunately, the PERT report does not recognize or acknowledge the success of the pension reform process from either an accounting or financial sustainability perspective.

On page 51-52, the PERT states: "The Teachers' Pension Plan, which has a ratio of plan assets to plan liabilities of just 0.51, has an unfunded liability as of March 31, 2020 of \$1.6 billion." In fact, as previously noted, the audited financial statements of the TPP, as of December 31, 2020, show a ratio of plan assets to plan liabilities of 1.149 funded status, and a surplus of \$774.6 million. Purposefully or not, the PERT has chosen to confuse how Government accounts for its pension debt obligation with the liabilities of the TPP. To be clear, the Teachers' Pension Plan has assets of approximately \$6 billion and does not have any unfunded liability.

On page 74, the PERT states: "Despite these efforts, the unfunded pension liability, as of March 31, 2020, sits at \$4.89 billion (including the promissory notes). This is nearly \$1 billion more than it was just six years earlier when pension reform was completed. Further action is required to make the cost of these pension plans sustainable and reduce the unfunded liability." Intentionally or not, the PERT has chosen to include the three pension plans that have not undergone pension reform, and for which Government has sole responsibility, in their commentary on the pension reform process. Again, the PERT fails to recognize the promissory notes as government debt, and instead chooses to lump all government pension obligations together as unfunded pension liability.

The PERT reference to "further action being required to make the cost of these pension plans sustainable and reduce the unfunded liability" may be true of the three plans that have not undergone pension reform, but it is not true of the TPP and PSPP. The TPP and the PSPP are now both well managed by pension experts, both plans are sustainable, currently fully funded, and have funding policies in place that have a mechanism for correcting any future unfunded liability that might occur due to unforeseen negative events.

Despite the PERT's characterization, the result of reform of the TPP in 2016 has been an incredible success story. Government's pension obligations, past and future, have been reduced, the unfunded liability of the TPP has been eliminated, and the plan is now sustainable indefinitely and has the potential to experience future surpluses, in which Government will share.

C. Pension Envy

It is clear throughout the PERT report that there is a clear and obvious bias against defined benefit (DB) pension plans. This bias is generally prevalent in the corporate sector and is referred to in the pension industry as 'pension envy.' There are ample examples of this bias in the PERT report, both subtle and obvious and, whether consciously or unconsciously, is likely the motivator for the misguided PERT pension recommendation and justifiably brings the credibility of their recommendation into question.

The Canada Pension Plan (CPP) is by definition a defined benefit pension plan. The plan is funded through matching contributions from employers and employees. The defined benefit amount paid to pensioners is based on their individual contribution history while working and contributing. However, the PERT does not acknowledge the CPP as a defined benefit plan, referring to it on page 12 as a "government transfer to individuals" and equating it to Old Age Security which, unlike the CPP, is an income support program funded by taxpayers. Again, on page 14-15, the PERT refers to "...other government transfer payments to individuals

such as Old Age Security and Canada Pension Plan.” These references, while subtle, are indicative of the lack of understanding or appreciation for the nature and value of defined benefit plans, as well as disregard for employees’ and employers’ contributions and funding of these plans.

On page 69, the PERT refers to participation of MHAs in the MHA Pension Plan as double dipping if they previously participated in another pension plan. This comment and subsequent recommendation that “...MHAs will no longer be allowed to receive multiple Provincial Government pensions...” betrays again the PERT’s lack of understanding of the funding mechanism and benefit accrual of defined benefit pension plans. A properly funded pension plan, such as the TPP or PSPP, requires the participants to contribute at least the current service cost of the pension obligation that they are accruing, and does not create an unfunded liability to the plan (or Government). For example, if a teacher contributes to the TPP for 20 years and subsequently contributes to the PSPP for 10 years, then at the time of retirement eligibility, they would receive two pensions, but the amount of each pension would be based on the amount of contributions and service with each respective plan. This is not double dipping, by any consideration. Double dipping would occur if an individual were accumulating pension service in two plans at the same time, or accruing pension service in a plan while drawing a pension from that same plan, both of which are prohibited by the *Income Tax Act* and the CRA. Double dipping is not occurring with MHAs contributing to the MHA Pension Plan if they have previously been members of another plan. Further, the recommendation that “pension contributions made as an MHA would be added to their existing Public Service Pension Plan” ignores the membership and funding requirements of the PSPP. Again, the recommendation is indicative of, and can only be explained by, either a lack of understanding of how DB pension plans are funded and operate, or a bias against DB pension plans, in general.

On page 70, the PERT, when discussing the employees of agencies, boards, and commissions, states that they receive “generous public sector pensions” and these “payments are from tax dollars.” This is clearly a prejudicial statement, ignoring the reality that pension payments are made from pension plan funds, and not taxpayer funds. It would be especially concerning if the PERT actually believed that pension funds were the property of taxpayers as the statement implies.

On page 73, the PERT, when referencing public sector workers, states that “their salaries, benefits, and pensions are liabilities of all taxpayers in the province.” At best, this is a prejudicial statement.

But perhaps the clearest example of the bias against DB pension plans is found in the inflammatory comments on page 74 referencing Government’s pension obligations. The PERT states: “This large unfunded liability poses a risk to existing pensioners and to future program participants. Unchecked, even existing pensioners could see their benefits decline. This has been seen in many areas of the world. Greece, for example, had to make drastic cuts to pension plans which placed many pensioners below the poverty line. In some cases, pension benefits were cut by up to 50 per cent. The declining population in this province and the large number of participants reaching retirement age means fewer public servants will be contributing to the plans. Fewer participants will translate into a greater unfunded liability. This will make the current plans unsustainable and place all participants at risk.” This statement is totally false and unsupported by the facts. The reference to Greece can best be characterized as fear-mongering and is totally irrelevant in the context of the well-funded, jointly sponsored pension plans in Newfoundland and Labrador. With reference to the potential for fewer participants paying into the plans, the PERT does not recognize nor seem to understand that if there are less people paying in, then there is less future pension obligation accruing – the two factors largely offset each other. These scenarios are considered by a pension plan’s actuaries when they conduct the plan’s actuarial valuations and asset/liability modelling.

The PERT recommendation that pensions “be converted to a collective defined contribution plan in three years” is a superficial, extreme, and unrealistic suggestion which does not logically flow from the discussion that precedes it, and more importantly, does not provide any financial relief or reduce government’s current pension obligation in any way. Defined benefit pension plans provide the greatest retirement security of all retirement savings mechanisms. Research has demonstrated that DB plans are preferred over defined contribution (DC) plans by employees in all sectors of the economy, but are only prevalent in the public sector. It is understandable that pension envy exists, but the fact that DB plans are not widely available in the private sector is not justification for seeking to dismantle or convert DB plans that are properly funded and sustainable, such as the TPP, the PSPP and the CPP. Providing retirement income security should not be a race to the bottom. Converting public sector DB pensions to DC plans would be extremely short sighted, unlikely to provide any short-term financial relief to the Province, and would, in fact, have disastrous long-term economic consequences for Newfoundlanders and Labradoreans and the Province.

D. Value of Defined Benefit Pension Plans

Groups that are critical of defined benefit pension plans in general, and the public sector pension plans in particular, often conveniently overlook the immense value and contribution these plans make to the economy. Besides providing the best mechanism for retirement saving, income and security for the individual plan members, pensioners with defined benefit plans provide a stable tax base for governments and do not draw on government/taxpayer funded income support programs which are necessary to support low income Canadians who did not have access to participation in DB plans while working. Defined benefit pension plans themselves have a major impact on the economy and are a driver of national prosperity, with over \$1 trillion in assets under management, much of that money invested in Canada.

According to Table 4.2 on page 43 of the PERT report, there are 37,661 participants and 35,119 pensioners in the public sector defined benefit pension plans in Newfoundland and Labrador as of March 31, 2020. That represents 72,780 Newfoundlanders and Labradoreans that will be paying income taxes on these stable pensions; 72,780 individuals spending this stable income in the local economy; and 72,780 individuals with families unlikely to be availing of government funded assistance programs. As pointed out in the PERT report, Newfoundland and Labrador has the demographic challenge of an aging province. It is critical to the Province's future that as many of our seniors as possible have retirement income security with minimal reliance on taxpayer funded income programs. What is not acknowledged in the PERT report is that defined benefit pension plans provide that security and stability.

The Executive Summary of a February 2019 paper titled *The Social Implications of Pensions*, written by Robert L. Brown, PhD, FCIA, FSA, ACAS, concludes that defined benefit pension plans "are not just better for Canadian workers, but for the Canadian economy overall, with cost savings to employers and governments because of DB plans' positive impacts: better labour force management, lowered job stress, improved worker health and lower use of government funded assistance programs – old age security (OAS), the guaranteed income supplement (GIS), and other discounts and subsidies for low-income retirees in Canada. Canadian pensioners with stable, predictable DB retirement income are less dependent on government assistance, and they spend their pension dollars in local businesses." The paper also states on page 1 that "there is consistent evidence that DB plans are the best option for providing Canadians with reliable, predictable income security during retirement. DB plans are professionally managed with low expense ratios and can carry the longevity risk." Dr. Brown is the Past President of the International Actuarial Association, Past President of the Canadian Institute of Actuaries, and was the Research Chair for the Ontario Expert Commission on Pensions 2007-2008.

According to a study conducted for the Ontario Teachers' Pension Plan in October 2013, titled *Strengthening the Canadian Economy*, DB pensions reduce the annual GIS payout in Canada by approximately \$2-3 billion annually. This study found that 54 per cent of workers who had no workplace pension received GIS benefits compared to only 17 per cent of those with a workplace pension, and most of this 17 per cent were those with workplace DC plans, as opposed to DB plans.

A 2018 study by Steve Nyce of Willis Towers Watson titled, *Now is the time to tackle financial well-being*, found that those with lower income in retirement typically use publicly funded health care more than those with adequate retirement income provided by DB plans.

When comparing DB plans to DC plans, research has shown that enrolment in a sustainable DB plan means plan members know what their retirement income will be, freeing disposable pre-retirement income to be spent on consumption. In retirement, a DB plan pays a guaranteed income stream to the retiree that is taxable and can be spent on consumption, which stimulates the Canadian economy. Conversely, members of DC plans and other retirement saving arrangements tend to have lower income in retirement and may be hesitant to spend it because of fears of outliving their savings. Guaranteed retirement income streams help stabilize consumption during economic downturns. In contrast, retirement income from DC accounts is pro-cyclical, increasing during growth periods and decreasing during economic downturns. This can have a destabilizing effect on national and local economies.

The Social Implications of Pensions paper reports that, "Despite the evidence that DB plans deliver higher and more efficient income security during retirement, these plans have fallen out of favour in the private sector in the last few decades. However, it's clear that insufficient personal savings in DC plans, coupled with mediocre economic growth in a low-interest-rate environment, will not deliver the retirement income many employers and employees expect. DB plans are still common in the public sector and advocated for by labour unions and public sector administrators who understand the overall long-term benefits of DB plans. But this creates a divided and inequitable retirement landscape. Instead of seeking DB plans for more Canadians,

taxpayer advocacy groups and conservative think tanks criticize DB plans as being overly generous and push for conversion to less-efficient DC plans. In fact, public sector DB plans are not overly generous” (page 3).

While the paper cites examples in other provinces, Newfoundland and Labrador data is readily available. The TPPC 2020 Annual Report records the average annual lifetime pension for retired teachers in NL as \$30,007. The 2019 Provident10 Annual Report for the PSPP reports the average annual lifetime pension for public sector workers as \$22,777. These are not ‘overly generous’ pensions as critics of public sector DB plans would have one believe.

The paper concludes that the dwindling number of DB plans will, in time, have grim consequences for the financial security in retirement of individual workers and will put increased stress on government social programs.

As an example of the impact of retiree spending in local economies, in its 2015 report, *Assessing the Economic Impacts of Pension-Income Spending in British Columbia*, Urban Futures Institute determined the economic impact of pension income spending from BC public sector pensions on provincial gross domestic product was \$1.66 billion and tax revenue from BC public sector pension income spending was \$310 million. The economic impact for BC was determined to be as strong as the forestry and logging industry.

In a landmark study conducted by the Boston Consulting Group providing an in-depth examination of the economic impact of Canada’s “Top Ten Pension Funds” to the end of the 2011 fiscal year, it was found that these plans provide Canada with one of the strongest retirement income systems in the world and also contribute significantly to national prosperity. Among the key findings: “The Top Ten pension funds are healthy, growing, and increasingly important to Canada as it faces challenging demographics and economics; They have created a centre of excellence in Canada for managers of quality, large-scale investments; They manage ~35% of Canada’s retirement assets; They have invested roughly \$400 billion in Canada, including \$100 billion in real estate, infrastructure and private equity; They are strong proponents of good corporate governance practices, ultimately improving the efficiency and effectiveness of capital markets; They directly employ 5,000 professionals in the Canadian financial sector and an additional 5,000 employees in their real estate subsidiaries.”

Looking at the relationship between pension income and the health of communities it was found that: “Canadian DB plans paid out \$72 billion to 3.5 million pensioners; Most of this money is spent where the pensioners live; Seven per cent (\$27 billion) of all income in Ontario’s towns and cities is derived from DB pensions, which annually generates \$3 billion in federal and provincial income tax and \$2 billion in sales taxes; Seniors with DB plans are confident consumers because the predictable income stream allows them to better plan their affairs; DB plans offer a broader social benefit because people who get them rely less on benefits like the GIS, to the tune of \$2-\$3 billion a year.”

The impact of public sector pension plan assets on the Canadian economy is immense. Pension funds contribute to financial stability because of their size and behaviour. They have long investment horizons, invest real money as opposed to borrowing, and have the luxury of patience to withstand short-term market volatility and liquidity stresses. Because contributions to pension funds are locked in, they are not at risk of mass withdrawals or runs during a financial crisis. The funds are also strong contributors to improving corporate governance practices. They take an active role in the companies in which they invest.

Despite all this evidence, the push by the corporate sector to convert public sector DB plans to defined contribution (DC) plans continues. In his October 2014 paper titled *Shifting Public Sector DB Plans to DC: The experience so far and implications for Canada*, Dr. Robert L. Brown concluded that, “after examining the literature on the experience in other jurisdictions and modelling what the ramifications would be in converting a large Canadian DB plan to DC, we found that none of the stakeholders would ultimately be better off.” The conclusions of the study were as follows:

- *The perceived advantages to closing DB pension plans in the private sector do not translate directly into the public sector. While the shareholders of private corporations are primarily focused on profits, the shareholders of public corporations have other needs to consider. While private corporations are able to off-load costs without being concerned about who has to pick them up, public sector employers who off-load costs in many cases are off-loading costs that have to be picked up in some other form by their shareholders, i.e., governments and ultimately taxpayers. Canadians unable to save enough directly or through workplace pensions while they are working become a burden in retirement for taxpayers.*

- *Several U.S. states that have looked at converting DB plans to DC have concluded that it would cost considerably more to maintain similar benefits. Two states that had converted to DC at least partially converted back because of concerns over how little income they were producing for retirees (Nebraska and West Virginia).*
- *A DC plan can be designed that will be better than most of those existing in Canada today, but experience and modelling show that it will still be a more expensive way of producing retirement income than a large, well-run DB plan.*
- *Our modelling has shown us that for an efficient \$10-billion DB plan, converting to a pooled DC pension arrangement would increase the plans costs by 26 per cent.*
- *In addition to bearing perpetually increased costs for the new DC plan, the post-transition plan sponsor (often government) would face an increase in financial risk coming from the closed DB plan that would run parallel to the new DC plan for many decades.*
- *If the motivation for a conversion to DC is to reduce costs, then it should be noted that shifting to DC actually increases the cost of delivering a comparable pension benefit.*
- *If the motivation for a conversion to DC is to reduce the government's exposure to the financial risks associated with sponsorship of the pension plan, then it should be noted that other plan design options are available for reducing or transferring risk that do not require sacrificing the plan's investment efficiency. Many of Canada's large public sector plans have already employed features such as joint sponsorship and/or contingency of non-core benefits in order to share and reduce risk. From this starting point, governments cannot benefit a second time by shifting again risks that have already been transferred to members.*
- *If the motivation for a conversion to DC is to address an existing unfunded liability, then it should be noted that converting to DC does nothing to address the past-service unfunded liability that a plan may have accumulated. Converting to DC makes the management of a legacy-unfunded liability more risky and difficult. It also does not freeze the existing liability. In several of the cases that we examined, the past-service unfunded liability continued to grow for decades after the conversion. Ultimately, a conversion to DC will lead to a situation where the past unfunded liabilities have been extinguished and no new unfunded liabilities can be created. However, it would typically take about a century to get to that state. Extra costs and risks would be borne in the interval and the extra costs associated with the loss of investment efficiency would go on as long as the DC plan exists.*

All of the above findings demonstrate that the PERT recommendation is ill-advised and without merit.

E. Summary

Everyone should recognize that the world of pensions, pension funding, and pension fund investment is the bailiwick of actuaries, institutional investment experts, pension lawyers, and accountants. It is complicated business. Government and the stakeholders in the TPP and the PSPP undertook considerable time, effort, and expense to engage experts in the reform of the TPP and PSPP. The PERT recommendation would have the Province undo this success. The recommendation is ill-advised, would not provide any financial benefit to the Province, and would expose the Province to considerable risk.

Newfoundlanders and Labradoreans want the features offered by DB plans, and they are willing to pay to get them. We know people save more for retirement when they contribute to DB plans. We also know that expense ratios are lower, and well managed, defined benefit pension plans provide consistent investment returns. The question should not be whether public sector workers should continue to have DB plans; the question should be why don't all Newfoundlanders and Labradoreans have them?