



January 23, 2025

To: ONA VON Members

**Re: VON Canadian Pension Plan Update**

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This is an important joint communication to members who are employed by VON and represented by one of the following six unions:

- Nova Scotia Government and General Employees Union – **NSGEU**
- Nova Scotia Nurses Union – **NSNU**
- Canadian Union of Public Employees – **CUPE**
- Ontario Public Service Employees Union/Syndicat des employés de la fonction publique de l'Ontario – **OPSEU/SEFPO**
- Service Employees International Union – **SEIU Healthcare**
- Ontario Nurses Association – **ONA**

**We are very pleased to advise all of you about a January 22, 2025 arbitration award from Arbitrator William Kaplan. In his award, Arbitrator Kaplan has ruled that VON is required to make significant pension improvements for plan members, which are described below.**

## **Background**

Together, our six unions represent more than 1,600 active members of the VON Canada Pension Plan in two different provinces. We have been united in a common cause to ensure that VON Canada lives up to the important pension promises it made to our members more than a decade ago.

In 2006, in response to a plan deficit, VON imposed a major cut to our pension plan, reducing the rate at which members earn benefits by about one third – the factor for calculating pensions was reduced from 1.5% and 2% to 1% and 1.33% to earnings under and above the Year's Maximum Pensionable Earnings limit ("YMPE"), respectively. This cut has remained in place ever since.

In 2010, our group of unions secured an agreement from VON that included a number of commitments related to the pension plan including that benefits would be restored to pre-2006 levels once the plan had a sufficient surplus.

In 2013, the union group secured a second pension agreement from VON, including a commitment for additional benefit improvements, subject to certain conditions, once the 2006 cuts had been reversed. These improvements would increase benefits for pensioners (retirees who are receiving a pension and former employees who will start receiving a VON pension when they retire).

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In recent years, the pension plan's health has been steadily improving.

In 2020, our unions believed that the required conditions had been met and told VON that it was time to fulfill its commitment to restore plan benefits. In the absence of any changes to the plan, the unions filed grievances seeking VON's compliance with the 2010 agreement. After filing those grievances, we attempted various settlement talks with VON, which were not successful.

The dispute was ultimately heard in a series of arbitration dates in 2024 and Arbitrator William Kaplan released his award in the matter today. Arbitrator Kaplan's award also covers the 2013 agreement to increase benefits for pensioners.

**As noted above, the award requires VON to institute significant pension improvements for plan members!**

## The Award

Here is a summary of the key provisions of the arbitration award:

- Active plan members (members who are still working/contributing to the plan, or who were doing so on or after January 1, 2024) are expected to see the basic pension formula restored to nearly what it was before the 2006 cuts. We expect a restoration of about 90% of the pension you have earned after January 1, 2006. This would mean the pension formula of 1% below the YMPE and 1.5% above would be adjusted to be 1.45% and 1.95% respectively. For anyone with earnings levels below the YMPE this would be an increase of approximately 45%. The increase for members with earnings above YMPE will be similar but will depend on their specific earnings. This improvement will be applied at retirement and will be funded by **\$54 million** of existing pension plan surplus.
- Going forward, active plan members will also earn pension entitlement on future service (work you'll perform in the future) at the pre-2006 rate (the pension formula will be 1.5% and 2% for earnings under and above YMPE respectively). For most members, this means every day you work, you will be earning about 50% more pension than you have been in recent years.
- Pensioners who earned a pension after January 1, 2006 (including both retirees and former VON employees who will start collecting a VON pension when they retire) are expected to see a one-time benefit indexation improvement applied to their pensions, effective December 11, 2024.

This improvement will be funded by **\$7 million** of pension plan surplus and will be allocated based on the amount of service these pensioners earned between January 1, 2006 and December 31, 2023. The total improvement for individual members will be calculated in the coming months and will be retroactive to December 11, 2024.

- All retired plan members currently receiving a pension will see an **additional \$3.1 million** of pension plan surplus allocated to a one-time benefit indexation improvement. Again, the amount of this improvement will be determined in the coming months and will be retroactive to December 11, 2024.
- In the coming years, VON will be required to use an additional **\$12 million** of plan surplus for further indexation improvements for pensioners. This amount is subject to a 15-year sunset provision and will be paid when the plan has a surplus over a specific level.
- Going forward, VON will be required to contribute at least the same amount to the pension plan as members.

As part of the arbitration process, we discovered that VON had contributed less than members in recent years as a result of federal tax rules that apply to pension plans.

Arbitrator Kaplan considered the shortfall in VON's pension contributions when he ordered the benefit improvements described above.

- Member contribution rates may change in future years (up or down) as a result of Arbitrator Kaplan's decision, but contributions will continue to be based strictly on the amounts required to properly fund accruing pension benefits. In the coming months, as the award is implemented, your pension contribution rates may decrease slightly.
- The award remedies VON's 2010 and 2013 commitments to restore pension benefits. Other aspects of these agreements have been amended and remain in effect and part of our collective agreements.
- Importantly, this means that VON will not be able to unilaterally cut benefits again unless it has secured the consent of the unions.
- During our settlement discussions prior to the arbitration, the unions and VON had discussed merging the VON pension plan with other larger public sector pension plans in Nova Scotia and Ontario. The award does not order this significant change, but it does direct the parties to continue those exploratory talks. The unions would only agree to a merger if we felt it was in the best interest of our members.

**It is important to note that the dollar figures and benefit improvements cited above are based on current estimates and are not the final numbers.** The final numbers and benefit amounts will be calculated from an updated actuarial report that VON is now obligated to perform. As noted above, the effective date of the improvements is December 11, 2024 and benefit improvements for retirees will be retroactive to that date.

**It is also important to note that the award contains provision for adjustments that may apply if the actual costs are higher or lower than estimated.** Some of the benefit improvements could be amended or delayed if the cost of improvements is

greater than current estimates. On the other hand, if the actual cost of improvements turns out to be less than current estimates, there is the possibility that past service benefits for active members may be fully restored to the pre-2006 rates (the pension factor would increase from 1% and 1.33% to 1.5% and 2% for earnings below and above YMPE, respectively, rather than 1.45% and 2% as currently estimated).

VON will communicate to members and the unions the results of the plan actuary's calculations as soon as possible, but significantly, the award requires the unions' pension consultants to be involved in the oversight of this process.

**It should also be noted that the improvements described above apply only to active employees, retirees who are collecting a VON pension, and former employees who will collect a VON pension at retirement.** Former employees who withdrew their pension from the plan when they left employment no longer have an entitlement to benefits from the plan and will not receive pension increases as a result of the award.

The award resolves the unions' pension grievances and related complaints to the pension regulator.

The above information is our summary only and the full award, which contains all the details can be reviewed [here](#).

While work on implementing the award will now begin, the process of implementation will not be immediate, and it will take some time for you to receive the actual improved benefits. However, both Arbitrator Kaplan and the unions will remain engaged in that process to ensure there is no undue delay. Expect further communications from both VON and the unions with more specific details in the coming months.

We are deeply thankful to our members for their solidarity and patience throughout this long process. Labour arbitration processes are often not as quick as we would like them to be, and this was an especially complicated dispute.

While we did not obtain all the pension benefit improvements we sought, overall, we are very pleased with Arbitrator Kaplan's award.

It has taken us nearly twenty years to get these painful benefit cuts reversed. But we have stuck together. Six unions in two provinces have pooled their resources over many years to secure this important win. Your unions banded together and jointly retained lawyers from Goldblatt Partners LLP and actuaries from PBI Actuarial Consultants who did very important work for us on this file. Solidarity in action!

We are most thankful for you and the important work you do every day. Even when you were working for a sub-standard pension in impossible circumstances during the pandemic, you stepped up and provided care to those in need. The

improvements delivered under this award mean you are earning a pension that is more in line with healthcare industry standards. All workers deserve dignity and security in retirement. Getting there is not easy and sometimes involves sticking together and fighting back. We have all done that together here and will be ready to do it again if it is ever needed.

Stay tuned for more details.

