

TOWNHALL  
PRESENTATION

Queen's  
University

**OANUE**

Ontario Association of Non-Unionized University Employees

# Agenda

Introductions  
Presentation  
Questions

The logo for OANUE is centered on the right side of the slide. It features a dark blue horizontal bar with rounded ends, outlined in red. The acronym "OANUE" is written in large, bold, white capital letters within this bar.

**OANUE**

Ontario Association of Non-Unionized University Employees

# ONTARIO ASSOCIATION of NON- UNIONIZED UNIVERSITY EMPLOYEES (OANUE)

## Introductions

## What is the role of OANUE?



- A not-for profit organization established in 2016 to provide a mechanism for the meaningful participation of non-unionized staff in the UPP/JSPP;
- Each participating institution (Queen's, U of T, and Guelph) has their respective representative on the OANUE board of directors;
- OANUE receives provincial funding to support our participation in the UPP, including resources for independent legal counsel and actuarial support.

# What is a Jointly Sponsored Pension Plan (JSPP)?

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- An Ontario-regulated JSPP is a pension plan that offers defined benefits and is jointly sponsored, governed, and funded by the employers and plan members.
- A member's retirement benefit under a JSPP is based on a pre-set formula, typically with reference to years of pensionable service and earnings.
- There are several large Ontario pension plans which are JSPPs, including:
  - Ontario Teachers' Pension Plan;
  - OPSEU Pension Plan (public service);
  - HOOPP (healthcare);
  - OMERS (municipal); and,
  - CAAT (colleges).
- These plans have an almost 30-year history and are respected for their ability to provide secure, high-quality pensions.

# Why change to a JSPP?

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- University pension plans across Ontario face significant financial and political pressures that highlight the need for a new approach to protect pensions for the future. Here's why:
  - Years of low interest rates, volatile investment markets and rising life expectancy have led to funding shortfalls and climbing contribution rates for most university pension plans in Ontario.
  - Ontario's pension funding rules are a financial burden for universities, and are designed for single employer plans that are vulnerable to bankruptcy and plan wind-up.
  - Financial pressures from pension funding on universities have sometimes led to budget cuts.
  - Ontario Government and stakeholders at the three universities broadly support the move to a JSPP and are committed to working together.
  - Goal is a sector-wide plan – one that is open to any other Ontario university consistent with the general trend of plan consolidation.

# What are the advantages of the new plan?

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- The UPP offers the following key advantages:
  - Protection of defined benefit model for the sector.
  - Joint governance, where university administrations, and employee groups have an equal say in plan design, funding and administration.
  - Greater transparency into plan operations, funding, and decision-making through joint governance and open information-sharing.
  - Clear and explicit sharing of risk between employers and plan members.
  - More stable and predictable contributions.
  - Relief from some of the financial pressures on universities caused by Ontario's pension funding rules.
  - Efficiencies and economies of scale – a much larger plan means greater efficiency in plan administration and more access to better investment opportunities, which in turn, will help address increasing costs.

# Which Universities and employee groups would be eligible to join the UPP?

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- Currently, Queen's University, the University of Guelph, the University of Toronto, the faculty associations, USW, and other staff groups at those universities are working together toward being the first participants in the UPP.
- Other unions representing employees at the three universities are currently considering their participation.
- Once operating, the UPP would be open to other universities and employee groups as well.

# What happens to my existing pension benefits?

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- Accrued pension benefits are protected.
- All pension benefits earned to the date of conversion will be transferred to and paid from the new JSPP.
- Assets in the pension funds will also be transferred.

How will my pension benefits be determined?



Pension Benefits Payable From UPP	
Combination of Pension Benefits Calculated Under:	
Current Plan Provisions	UPP Provisions
<p><b>Pension Benefits For Pensionable Service Transferred Into UPP</b></p> <p><b>Benefit Structure:</b></p> <p>Greater of Money Purchase Benefit and Minimum Guaranteed Benefit</p> <p>Account balances transferred to UPP; no further contributions but account balances continue to earn investment return until retirement or earlier termination at which point "greater of" test is made</p>	<p><b>Pension Benefits for Pensionable Service Earned After Joining UPP</b></p> <p><b>Benefit Structure:</b></p> <p>Defined benefit provisions</p>
	+

How will my pension benefits be determined?



Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under:	
Current Plan Provisions	UPP Provisions
<p><b>Pension Benefits For Pensionable Service Transferred Into UPP</b></p> <p><b>Minimum Guarantee Benefit Formula:</b></p> <p>1.4%<sup>1</sup> of Best Average Earnings up to Average YMPE, plus</p> <p>1.8% of Best Average Earnings in excess of Average YMPE</p> <p><sup>1</sup> 1.35% for pensionable service to August 31, 1997</p>	<p><b>Pension Benefits for Pensionable Service Earned After Joining UPP</b></p> <p><b>Benefit Formula:</b></p> <p>1.6% of Best Average Earnings up to Average YMPE, plus</p> <p>2.0% of Best Average Earnings in excess of Average YMPE</p>

# How will my pension benefits be determined?



Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under:	
Current Plan Provisions	UPP Provisions
<p><b>Pension Benefits For Pensionable Service Transferred Into UPP</b></p> <p>Best Average Earnings: Best consecutive 48 months of salary, calculated at retirement or earlier termination (salary for future service under UPP recognized for this purpose)</p> <p>Average YMPE<sup>1</sup>: Average of YMPE in last 48 months of employment</p>	+
	<p><b>Pension Benefits for Pensionable Service Earned After Joining UPP</b></p> <p>Best Average Earnings: Best 48 months of salary, calculated at retirement or earlier termination (salary for pre-UPP service recognized for this purpose if necessary to have 48 months)</p> <p>Average YMPE<sup>1</sup>: Average of YMPE in last 48 months of employment</p>
<p><sup>1</sup>Year's Maximum Pensionable Earnings under Canada Pension Plan</p>	

# How will my pension benefits be determined?

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## Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under:

### Current Plan Provisions

#### Pension Benefits For Pensionable Service Transferred Into UPP

#### Early Retirement for This Portion of Pension Benefit:

Minimum Guarantee Benefit earned to early retirement date reduced from last day of the month of 65th birthday

For Minimum Guaranteed Benefit earned for pensionable service to August 31, 2012—2% per year for first 5 years plus 6% per year thereafter

For Minimum Guaranteed Benefit earned for pensionable service from September 1, 2012—3% per year for first 5 years plus 6% per year thereafter

+

### UPP Provisions

#### Pension Benefits for Pensionable Service Earned After Joining UPP

#### Early Retirement for This Portion of Pension Benefit:

##### REVISED UPP Provision

- Age 60 and age plus years of continuous service equals 80 or more
- Based on average YMPE up to 2025
- Based on average YAMPE starting in 2025
- 9.2% / 11.5% of pensionable salary below and above the YMPE until 2025, and 9.2%/11.5% of pensionable salary below and above the YAMPE starting in 2025

For updated information visit:  
[www.universitypension.ca](http://www.universitypension.ca)

# How will my pension benefits be determined?

Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under:	
Current Plan Provisions	UPP Provisions
<p><b>Pension Benefits For Pensionable Service Transferred Into UPP</b> <b>Normal Form of Payment:</b></p> <p>With or without spouse at pension commencement date – lifetime pension with a guarantee of at least 120 monthly payments</p> <p>With spouse, legislated automatic payment form is lifetime pension with 60% continuing to surviving spouse on pensioner’s death; actuarially reduced to reflect 60% survivor pension</p>	<p><b>Pension Benefits for Pensionable Service Earned After Joining UPP</b> <b>Normal Form of Payment:</b></p> <p>Without spouse at pension commencement date – lifetime pension with a guarantee of at least 120 monthly payments</p> <p>With spouse at date of pension commencement – lifetime pension with 50% continuing to surviving spouse on pensioner’s death, actuarially reduced if spouse is more than 10 years younger; legislated automatic payment form is 60% survivor pension, actuarially reduced to reflect increase from 50% to 60%</p>

How will my pension benefits be determined?

Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under:	
Current Plan Provisions	UPP Provisions
<p><b>Pension Benefits For Pensionable Service Transferred Into UPP</b></p> <p><b>Indexation of Pensions In Payment:</b></p> <p>Money Purchase Benefit – indexation based on the excess of 6-year average of pension fund investment return over 6%</p> <p>Portion of any Minimum Guaranteed Benefit Supplement in respect of pensionable service to August 31, 2012 also indexed as above; no indexation on portion for pensionable service from September 1, 2012</p>	<p><b>Pension Benefits for Pensionable Service Earned After Joining UPP</b></p> <p><b>Indexation of Pensions In Payment:</b></p> <p>Funded conditional indexation at 75% of Increase in CPI -- funded in contribution rates and granted each year unless Plan Sponsors jointly decide to reduce indexation below 75% level as per funding policy</p>

# What will contribution rates be under the UPP?



- 50/50 sharing of contributions.
- Contribution rates for both members and universities estimated to be:
  - 9.1% up to the YMPE, plus
  - 11.3% above the YMPE
- Member contribution rates will increase from current level of 7.0% / 9.0% to 9.1% / 11.3%
- University contribution rates will increase from 6.0% / 7.5% plus cost of Minimum Guarantee Benefit to 9.1% / 11.3%

# How will the plan be governed?



- The UPP Joint Sponsors:
  - Set benefits, contributions and funding policies for the UPP.
  - Have equal representation of the participating universities on one hand, and the faculty associations and unions representing UPP members on the other hand.
  - Responsible for appointing Administrator (Board of Trustees).
- The UPP Board of Trustees:
  - Responsible for making decisions about administration and investments.
  - Have representatives of the participating universities, the faculty associations and unions representing UPP members and one additional representative of members who are not represented by a collective bargaining agent.
- The role of the non-union employees in governance of UPP is comparable to current structures.

# Do I have any say in this?

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- In order for a proposed conversion to proceed:
  - **At least 2/3 (two-thirds)** of all the active members of the current plan give their consent; and,
  - **No more than 1/3 (one-third)** of the retired members, former members and other plan beneficiaries under the current plan, as a group, object.
  - Conversion also requires the prior approval of the Superintendent of Financial Services.

# How will the new plan be approved?



- The administrator of your current plan must provide **notice** of a proposed conversion to you.
- The required content of the notices includes:
  - The information about the benefits provided under your current plan;
  - Actuarial information about your current plan;
  - Information about the benefits to be provided under the JSPP; and,
  - The nature of a JSPP.
- The notices must also contain personal data and calculations concerning the member's accrued pension under your current plan, and the member's accrued pension after joining the proposed JSPP (which benefits will be equivalent).
- The data and calculations must be "fresh" in the notices – which means that the information on which they are based cannot be older than 6 months.
- If a member *is not represented* by a trade union, the plan administrator must provide the member with a **consent form**, in addition to the notice.

## How will the existing funds be transitioned to the new JSPP?

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- Each participating university will transfer assets and liabilities of their existing pension plan(s) to new JSPP.
- Any deficits from any existing plans will be funded for 15 years through fixed special payments to be made by the university for the full 15-year period, regardless of any subsequent gains or losses in the new JSPP.

# What is the timing of all of this?

- Notices out March 2019.
- Consent by June 2019.
- New JSPP registered January 1, 2020.
- Contributions under UPP would only start after regulatory approval for transfer of existing plan assets to JSPP, likely 2021.

# Questions?

- Where can I get more information?
- **OANUE Website:** [oanuepensioninfo.org](http://oanuepensioninfo.org)
- **Queen's HR Website:**  
<http://www.queensu.ca/humanresources/total-compensation/pension-services>
- **UPP Website:** [www.universitypension.ca](http://www.universitypension.ca)

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