

TOWNHALL
PRESENTATION

University of
Toronto

OANUE

Ontario Association of Non-Unionized University Employees

Agenda

Introductions
Presentation
Questions

The logo graphic consists of a dark blue horizontal bar with rounded ends, outlined in red. The text 'OANUE' is centered within this bar in a large, white, bold, sans-serif font.

OANUE

Ontario Association of Non-Unionized University Employees

Introductions

What is the role of OANUE?



OANUE is a not-for profit organization established in 2016 to promote:

- the improvement of the conditions of employment of non-union university employees;
- the common interests, concerns and public contribution of non-union university employees;

by;

- providing a mechanism for meaningful participation of non-unionized staff in the UPP/JSPP;

Each participating institution (UofT, Guelph, and Queen's) 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)?



- A 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 a long history and are internationally respected for their ability to provide secure, high-quality pensions.

Why change to a JSPP?

OANUE

- 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 significant 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?

OANUE

- 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 from employers and plan members.
 - Relief from some of the financial pressures on universities caused by Ontario's current pension funding rules.
 - Efficiencies and economies of scale – a much larger plan means greater efficiency in plan administration and access to higher-return investment opportunities, which, in turn, will help address increasing costs.

What happens to my existing pension benefits?

OANUE

- 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.

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

OANUE

- 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.

How will my pension benefits be determined?



| Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under: | |
|---|--|
| Current Plan Provisions | UPP Provisions |
| <p>Pension Benefits For Pensionable Service Transferred Into UPP Benefit Formula:</p> <p>1.6%¹ of Best Average Earnings up to Average YMPE, plus</p> <p>2.0% of Best Average Earnings in excess of Average YMPE</p> <p>¹ 1.5% for Research Associates</p> | <p>Pension Benefits for Pensionable Service Earned After Joining UPP Benefit Formula:</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>Pension Benefits For Pensionable Service Transferred Into UPP</p> <p>Best Average Earnings: Best 36 months of salary, calculated at retirement or earlier termination (salary for future service under UPP recognized for this purpose)</p> <p>Average YMPE¹: Average of YMPE in last 36 months of employment</p> <p>¹Year's Maximum Pensionable Earnings under Canada Pension Plan</p> | <p>Pension Benefits for Pensionable Service Earned After Joining UPP</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 YMPE¹: Average of YMPE in last 48 months of employment</p> |
| | + |

How will my pension benefits be determined?

OANUE

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

Current Plan Provisions

Pension Benefits For Pensionable Service Transferred Into UPP

Eligibility for Unreduced Early Retirement for This Portion of Pension Benefit:

Age 60 and 80 age-plus-continuous service points

Age 60 and 15 years of pensionable service for P/M levels 6 to 9

Service under UPP counts for purposes of determining eligibility

+

UPP Provisions

Pension Benefits for Pensionable Service Earned After Joining UPP

Eligibility for Unreduced 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 more details visit:

www.universypension.ca

How will my pension benefits be determined?

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

Current Plan Provisions

Pension Benefits For Pensionable Service Transferred Into UPP

Reduced Early Retirement Benefits:

For retirement on or after June 30th following 55th birthday and before eligibility for unreduced early retirement benefits, pension benefit earned to early retirement date reduced 5% for each year that pensions start date precedes normal retirement date (June 30th following 65th birthday)

+

UPP Provisions

Pension Benefits for Pensionable Service Earned After Joining UPP

Reduced Early Retirement Benefits:

For retirement on or after the last day of the month of 55th birthday and before eligibility for unreduced early retirement benefits, pension benefit earned to early retirement date reduced 5% for each year that pension start date precedes normal retirement date (last day of the month of 65th birthday)

How will my pension benefits be determined?

| Pension Benefits Payable From UPP Combination of Pension Benefits Calculated Under: | |
|---|---|
| Current Plan Provisions | UPP Provisions |
| <p>Pension Benefits For Pensionable Service Transferred Into UPP</p> <p>Normal Form of Payment:</p> <p>Without spouse at pension commencement date – lifetime pension with a guarantee of at least 60 monthly payments</p> <p>With spouse at date of pension commencement – lifetime pension with 60% continuing to surviving spouse on pensioner’s death, actuarially adjusted if spouse is more than 15 years younger</p> | <p>Pension Benefits for Pensionable Service Earned After Joining UPP</p> <p>Normal Form of Payment:</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>Pension Benefits For Pensionable Service Transferred Into UPP</p> <p>Indexation of Pensions In Payment:</p> <p>Guaranteed indexation at 75% of Increase in CPI up to 8% plus 60% of Increase in CPI above 8%</p> <p>Also applies in deferral period between date of termination and date of pension commencement</p> | <p>Pension Benefits for Pensionable Service Earned After Joining UPP</p> <p>Indexation of Pensions In Payment:</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> <p>Does not apply in deferral period between date of termination and date of pension commencement</p> |

What will contribution rates be under the UPP?

OANUE

- 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
- Transition period to be determined to increase member contribution rates from current level of 7.7% / 9.5% 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?

OANUE

- 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?

OANUE

- 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?

- UPP Website

www.universitypension.ca

- OANUE Website

oanuepensioninfo.org

- UofT Pension Website

pension.hrandequity.utoronto.ca

The logo for OANUE, consisting of the letters "OANUE" in white, uppercase font, centered within a dark blue circle with a thin red border.

OANUE

The logo features a central white circle with a red outline. Two horizontal red lines extend from the left and right sides of the circle, crossing it at the top and bottom. The text 'OANUE' is centered within the circle in a bold, white, sans-serif font.

OANUE

Ontario Association of Non-Unionized University Employees