

U of T Pension Funding

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Your Pension Plan

- Shared with faculty
- Benefit = $1.6\% \times \text{Years of Service} \times \text{Earnings up to YMPE (\$47,200)}$
- Plus $2\% \times \text{Years of Service} \times \text{Earnings Over YMPE}$
- About 25% of Earnings After 15 Years
- About 50% of Earnings After 30 Years

The Problem

- Pension Assets = \$1.95 billion
- Pension Liabilities = \$2.98 billion
- Pension Deficit = \$1.03 billion
- (As of July 1, 2009)

Immediate Consequence

- No Early Retirement Window
- Retire at age 55 with 75 “points”
- Kicks in if no deficit on July 1, 2010

- Concept of window still alive
- Can still retire early: age 60 with 80 points
- Collective agreement still provides bridge

Potential Consequence

- Administration talking about higher staff contributions to pay for deficit
- Current contribution rates:
 - 5% of Earnings Up to YMPE (\$47,200)
 - 6% of Earnings Over YMPE

Administration is Responsible

- “The participant contributions are determined by a specific formula. The balance of the cost of funding the pension promise is the **sole responsibility** of the University. In other words, the University bears the risk of fulfilling that pension promise and must manage that risk prudently.” – administration’s reply brief to faculty in 1996-97 arbitration

Last Contribution Increase

- 4.5% to 5.0% of earnings up to YMPE
- To increase benefit multiplier from 1.5% to 1.6% up to YMPE
- (Faculty still contribute 4.5% and get 1.5%)
- Precedent = Contribute more to get more benefits

Bad Investments

- “In 2008, and for the first six months of 2009, UTAM’s investment performance was well below that of other major pension plans. Had the pension fund not underperformed in 2008/2009, funding shortfall as of July 1, 2009 would have been approximately \$600 million instead of \$1 billion.”
 - 2010 pension town hall presentation

Administration on Holiday

- Should contribute “current service cost”
- 1988 – 1991: no contribution
- 1992 – 1993: partial contribution
- 1994 – 2003: no contribution
- 2004: partial contribution
- 2005 – 2009: extra contributions
- Value of missing contributions = \$1 billion
(Faculty Association calculation)