

# The University Pension Plan and *your* retirement future

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# What we'll talk about today

- **Why** we need this change
  - To secure our defined benefit pension plan
  - Solve four issues affecting the plan
  - Enable and active joint governance
- **What** this change means for you
  - Plan comparison
- **How:** Next Steps
- Your future. Your decision



# Introducing the University Pension Plan (UPP)

- Current U of T Pension Plan:
  - Defined benefit
  - Single-employer
  - Defined Benefit pension plans under pressures
  - Long-term uncertainty
- UPP - Jointly-Sponsored
  - Defined benefit
  - Multi-employer
  - Solves for several pressures
  - Jointly-governed

# Why we need this change

## Pressure on the current plan

- Financial
- Regulatory
- Political



# Why we need this change

## 1. To secure our defined benefit pension plan

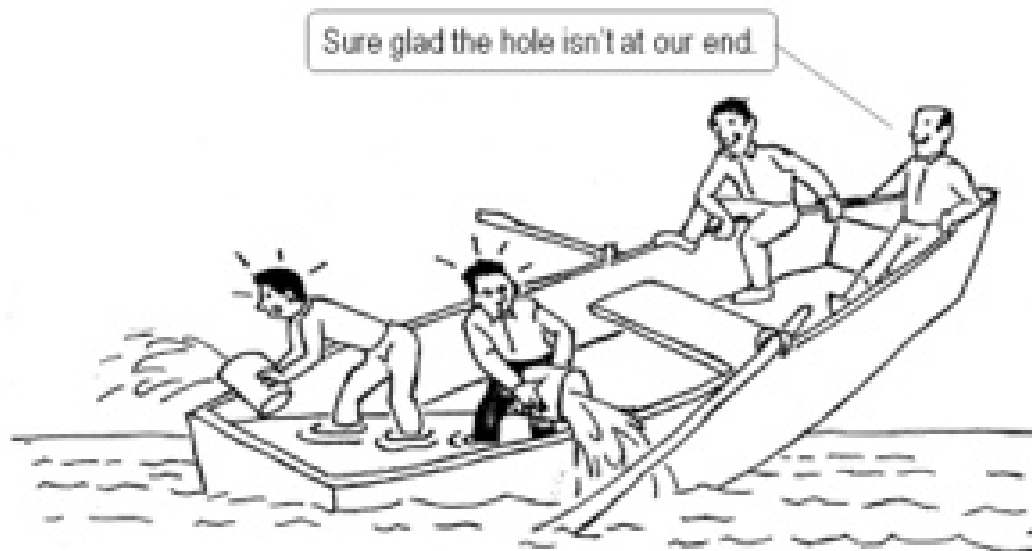
- Costs and solvency payments that are not financially viable mean significant risk to the employer
- Why this matters:
  - Cost control can happen through:
    - Employment loss
    - Benefit reduction(s) – pension or other benefits
    - Change to plan type – pressure to move to DC plan
  - **Long term uncertainty in its current format**

# Why we need this change

## 2. Solves four issues affecting the current plan

- Strength in numbers = more assets
- Not subject to solvency funding rules
- Politically successful = difficult to attack
- Proven track record of success





# Why we need this change

## 3. Enable and activate joint governance

- Unions and Faculty Associations: full and equal power with university administration
- The Sponsor Board
  - Plan design: benefit levels, contributions
  - Investment strategy
- The Joint Board of Trustees
  - Sets day-to-day UPP administration
  - Equal voice with university administration
  - Single trustee for unrepresented employees group (no tie-breaking voting power.)






# How we get to certainty: the UPP

- Protect defined benefit nature of the plan
- Achieve long term sustainability
- Multi-employer and able to grow
- Clean start – past deficits paid by employer
- Equal voice


# What this change means for you





# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
Pension amount	1.6% / 2%	1.6% / 2% (YAMPE in 2025)	
Earnings Calculation	Best average earnings	Best average earnings	
Averaging period	Best 36 months	Best 48 months	



# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
Indexing	Guaranteed – 75% of CPI to max CPI increase of 8% plus 60% increase in CPI above 8%, or CPI minus 4%	<p>Funded conditional future indexation at 75% of Increase in CPI</p> <ul style="list-style-type: none"><li>• Funded in contribution rates based on long-term actuarial assumptions and granted each year unless Plan Sponsors jointly decide to reduce future indexation adjustments below 75% level given financial health of plan</li><li>• Transitional rule: Plan Sponsors have agreed to not reduce indexation below 75% level in first 7 years of UPP's operation</li></ul>	



# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
Early unreduced retirement (EURD)	Age 60 - and - Age plus years of continuous service = 80 or more	Age 60 - and - Age plus years of continuous service = 80 or more	
Grand-parenting of Early unreduced retirement (EURD)	If you are age 52 or older <i>on the date the UPP starts</i> , and your current EURD is better than the new UPP EURD, then your current EURD will apply to your entire pension.		



# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
Survivor Benefits	Normal form is J&S60 - upon pensioner's death, 60% of pension paid to surviving spouse	<p>Normal form is J&amp;S50 – upon pensioner's death, 50% of pension paid to surviving spouse.</p> <p>If a member elects a form of J&amp;S that is greater than 50% (i.e., 60% or more) the pensioner's benefit will be actuarially reduced to accommodate for the extra % above 50% payable to surviving spouse upon pensioner's death</p>	  
	No spouse – lifetime, guaranteed for 5 years	No spouse – lifetime, guaranteed for 10 years	

# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
When you leave	<p><b>Before age 55:</b></p> <ul style="list-style-type: none"> <li>transfer the commuted value or deferred vested pension</li> </ul> <p><b>After age 55 and before age 65:</b></p> <ul style="list-style-type: none"> <li>take the pension, or transfer the commuted value</li> </ul>	<p><b>Before age 55:</b></p> <ul style="list-style-type: none"> <li>transfer the commuted value or deferred vested pension</li> </ul> <p><b>After age 55 and before age 65:</b></p> <ul style="list-style-type: none"> <li>take the pension</li> </ul>	
When you join	Pension participation optional before age 35	Pension participation mandatory from start date	

# Plan comparison

Benefit provision	Current U of T Plan	The UPP	What this means for you
<b>Contribution Rates</b>	<p>Employee contribution 7.7% salary below YMPE / 9.5% salary above YMPE</p> <p>Employer contribution undefined</p>	<p>Employee contribution estimated to be 9.2% salary below YMPE / YAMPE + 11.5% salary above YMPE / YAMPE</p> <p>Employer contribution defined and matches ours</p>	<p>Offsets will make this a revenue neutral change.</p> 
<b>Portability</b>	<p>None</p>	<p>Pension is fully portable if you move to a participating university. Currently Queens and Guelph, with more expected to join</p>	



# The UPP – next steps

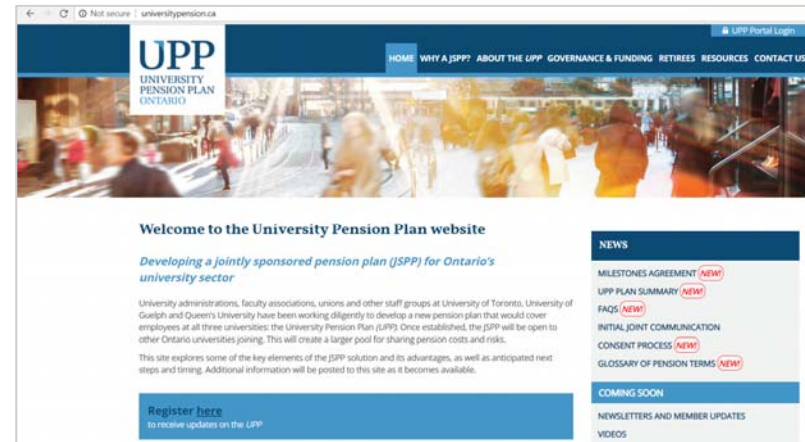
Timing	Activity
Fall 2018 through Winter 2019	<ul style="list-style-type: none"><li>• Bargaining for “offsets” for employees</li></ul>
Fall 2018 through Winter 2019	<ul style="list-style-type: none"><li>• Continued member engagement, information and education</li></ul>
Early 2019	<ul style="list-style-type: none"><li>• Ratification votes by each bargaining unit’s members</li></ul>
Spring 2019	<ul style="list-style-type: none"><li>• Notice and consent process according to Pension Benefits Act (Ontario)</li></ul>

# Your future. Your decision.

- What you need to do
  - Stay informed
  - Ensure you understand
  - Talk to others
  - Ask / answer questions
  - Make an informed decision: **VOTE!**

# Resources

- [www.universitypension.ca](http://www.universitypension.ca)
- [www.usw1998.ca](http://www.usw1998.ca)
- [info@universitypension.ca](mailto:info@universitypension.ca)
- [info@usw1998.ca](mailto:info@usw1998.ca)



# Questions

