



This is the *second in a series of shared USW newsletters for all three USW local unions* about the University Pension Plan (UPP).

## **Better risk management to secure our retirement futures in a jointly sponsored pension plan (JSPP)**

Creating the University Pension Plan (UPP) is a unique, once-in-a-generation opportunity to sustain defined benefit pensions in the Ontario university sector. If it is established, it will enable us to maintain a defined benefit (DB) pension plan and to respond much more effectively to the complex issues that exist for our university pensions today. Our goal has been consistent – secure retirements for current plan members and for the generations of university staff that will follow us.

## **No pension plan can eliminate risk. What's important is how risk is managed and shared**

In stand-alone, single-employer pension plans like those at our universities, risk-sharing is determined unilaterally by each university. In the Ontario university sector, those risks are compounded by the often onerous funding requirements described below. Many university staff can recall the impact on department budgets when most Ontario universities experienced pension plan funding challenges from 2005 through 2010.

## **JSPPs handle risk differently**

Multi-employer jointly sponsored pension plans like the UPP manage risks differently. Both longevity and financial risks are more easily managed when the plan's membership is greater and its asset base is larger. If we form the UPP, it will be **significantly larger than any single-university plan in the entire province**. It will cover a much larger pool of plan members across whom longevity risk is spread through a graduated distribution of imminent retirements. As well, because the UPP's asset base would be so much larger than any single university pension plan, it will provide access to investment opportunities not otherwise available to the smaller single-university plans.

As a JSPP, the UPP's governance structure will replace unilateral employer control with an equal voice for plan members via the roles of their unions and faculty associations in the plan's joint sponsorship.

## **If we move to the UPP, we have a clean start**

If the UPP is formed, the universities will remain responsible for the current unfunded liabilities of the current single-university pension plans, and for all risks associated with years of service prior to the inception of the UPP.

At its inception (sometime in 2020, should the UPP be implemented), the UPP would begin life as a fully funded plan. The three universities will be solely responsible for paying down the historical debts that exist, and will be obligated to do so over a maximum of 15 years.

## The UPP means funding requirements that fit the university sector

In a standalone, single-employer pension plan, an employer insolvency might mean that the pension could not fulfil its commitments, so Ontario's *Pension Benefits Act* (PBA) makes all single-employer pension plans subject to strict **“solvency funding” payments**.

This makes good sense in the private sector, where such insolvencies do happen. But the possibility of an insolvency of any of our three universities is extremely remote. So applying the PBA's solvency rules to current single-university pension plans means that funds that could otherwise go to departmental operating budgets are spent instead on onerous solvency funding payments. This can negatively impact the salaries, benefits and working conditions for university staff. In this way, single-university pension plans can create hazards for university staff.

**As a JSPP, the new UPP would by law be exempt from making these solvency funding payments.**

## Other savings

The UPP would not be subject to Ontario's Pension Benefits Guarantee Fund (PBGF), an insurance fund for members of single-employer defined benefit pension plans in the event of an employer's insolvency.

Ontario universities currently pay millions of dollars in PBGF premiums into a fund from which it is close to inconceivable that our members could ever benefit.

## Upcoming newsletters

Future USW pension newsletters will discuss other key aspects of the UPP, the USW ratification process and the government-regulated consent process, among other topics.

### TO LEARN MORE ABOUT THE UPP



Visit [www.universitypension.ca](http://www.universitypension.ca) and make sure to register for updates. You can do so on the homepage or via its “Contact Us” tab. Also, visit your USW local's website for information.

**USW Local 1998** – certified in 1998, representing 4,200 staff at the University of Toronto

**USW Local 4120** – joined USW via merger in 2002, representing 800 staff at the University of Guelph

**USW Local 2010** – certified in 2010, representing 1,200 staff at Queen's University

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This document provides general information about jointly sponsored pension plans. It is not intended to be relied upon as legal or financial advice. Every effort has been made to ensure the accuracy of this information, but if there are any errors or differences between the information given here and the legal plan documents or applicable legislation, the legal plan documents or applicable legislation will govern.

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