



Summary of Memorandum of Agreement with the University of Toronto regarding salary increase to offset member contribution increase

It has always been USW Local 1998's position that increases in members' pension contributions as a result of moving to the new jointly sponsored, multi-university, defined benefit University Pension Plan (UPP) should be offset by compensatory salary increases. Accordingly, we engaged in negotiations with the Administration to that end.

As members were informed in December, we reached a settlement on November 14, 2018 with the University of Toronto administration to increase staff salaries by 1.5% on July 1, 2019. This increase is separate and apart from the other across-the-board increases that are provided in our collective agreement.

The November 14th settlement also sets out arrangements for our Union's consent for the conversion of our current University of Toronto Pension Plan to the UPP, and makes some related changes to our collective agreement.

The full November 14th Memorandum of Agreement (MoA) can be accessed at usw1998.ca.

A summary of its terms is below:

- The MoA and its 1.5% salary increase are dependent upon the Union providing its consent to the UPP. And that consent will only be provided if a majority of voting members cast ballots in favour of the UPP in the upcoming ratification vote.
- If that majority vote does take place, the Union will then provide its consent to our transition to the new UPP, and Local 1998 members shall become "contingent members" of the UPP effective either January 1, 2020 or on the UPP's inception date if it is later than January 1, 2020.
- Members' pension service will continue to accrue under the University of Toronto Pension Plan until the actual conversion date of that current pension plan into the UPP (estimated to be July 1, 2021).
- On that conversion date, UPP contingent members will start to accrue service in the new UPP as "UPP contributing members."
- Staff who join the current pension plan on or after January 1, 2020, but before the UPP conversion date, will also be UPP contingent members.
- Employees who are not members of the current pension plan as of the UPP conversion date will become "UPP contributing members" as of that conversion date (estimated to be July 1, 2021).
- As of July 1, 2019, member contributions to the current pension plan will increase from 7.7% to 9.2% of pensionable salary, up to the CPP maximum salary (also known as the YMPE). For pensionable salary over the CPP maximum, contributions will increase from 9.5% to 11.5%.
- On the date that members' pension accrual begins under the UPP, the university's pension contributions shall be set at 9.2% of pensionable salary up to the CPP maximum (YMPE) and 11.5% above the CPP maximum (YMPE). This will mean that plan members and the university are contributing at a 50/50 split.

- Effective July 1, 2019, all member salaries will be increased by 1.5% (not compounded with the separate 2% increase on July 1, 2019 across the board that will also take place as per the terms of our current collective agreement.
- The pensionable earnings limit for member contributions for 2019 (also known as the salary cap) will be \$165,000, increased by the percentage increase in the Income Tax Act pension limit in 2019. For pension benefit calculation purposes, the highest average earnings will be capped at the level at which the Income Tax Act maximum is reached in the year of retirement or any earlier termination of employment status. No members of USW Local 1998 receive salaries in excess of this limit, so our members are not affected by this change.
- The current pension plan has a provision for “first-year indexing” to pensions in pay. However, such a provision is in fact prohibited by the Income Tax Act. Accordingly, as a housekeeping matter that would be required whether or not our current pension plan converts to the UPP, the first-year indexing provision will be removed from the current plan, and members retiring under the current plan as of June 30, 2019 will not have their pensions adjusted for the first-year indexing on July 1, 2019 except to the extent, if any, required by law. The impact of this change on members’ pensions will be nominal.
- If you leave the university, there are options in the current plan regarding what to do with your pension. One option allows members, who are eligible to receive the commuted value of their pension, to receive termination benefits equal to two times their employee contributions. Because the commuted value of one’s pension benefits mandated under minimum pension standards legislation is greater than two times one’s contributions option, this “two times” option will be removed from the current plan effective July 1, 2019. The financial impact of this change on members will be zero.
- The conversion of the current University of Toronto Pension Plan into the UPP will require amendments to our collective agreement, because member interests in a jointly sponsored pension plan are represented via the shared governance structure of such plans and not via collective bargaining. So, as of the conversion date, references in our collective agreement to the current pension plan will be removed, and the new pension plan will no longer be the subject of the grievance and arbitration procedures in the collective agreement.
- In the event that the UPP is not formed for a reason other than a lack of consent by our Union, our salaries and pension contributions will increase by the amounts set out in this MoA in respect of the current University of Toronto Pension Plan. This means that Local 1998 would not have to address pension contributions and offsets in our next round of full collective bargaining in 2020, during which we would be dealing with the full range of bargaining issues, including proposals for across-the-board increases.
- As of July 1, 2019, member contributions to the current pension plan will increase from 7.7% to 9.2% of pensionable salary, up to the CPP maximum salary (also known as the YMPE). For pensionable salary over the CPP maximum, contributions will increase from 9.5% to 11.5%.

When you cast your ballot in our upcoming UPP ratification vote, you will be asked your position on the formation of the UPP *and* on this accompanying MoA and its offsetting salary increase.

The USW Local 1998 Executive unanimously recommends a *YES* vote on the UPP conversion and on this Memorandum of Agreement.

MEMORANDUM OF AGREEMENT ["MOA"]

BETWEEN

THE GOVERNING COUNCIL OF THE UNIVERSITY OF TORONTO
(hereinafter referred to as the "University")

– and –

THE UNITED STEELWORKERS, LOCAL 1998 (STAFF-APPOINTED)
(hereinafter referred to as the "Union")

MEMORANDUM OF AGREEMENT REGARDING CONSENT TO THE CONVERSION TO THE UNIVERSITY PENSION PLAN (the "UPP")

WHEREAS the University and the Union are parties to a collective agreement dated September 3, 2017 which shall expire on June 30, 2020 (the "Collective Agreement");

AND WHEREAS the parties have been discussing the conversion of the University of Toronto Pension Plan (the "Plan") to a new sector jointly sponsored pension plan, the UPP;

AND WHEREAS the parties wish to enter into this MOA to provide for the Union's consent pursuant to and in accordance with relevant provisions of the Pension Benefits Act for transition to the UPP and related amendments to the Collective Agreement;

NOW THEREFORE the parties agree as follows:

1. Consent to Conversion under the Pension Benefits Act

The terms and conditions of this MOA are conditional on the Union providing consent on behalf of all employees in the bargaining unit covered by the Collective Agreement to the conversion of the Plan to the UPP under section 80.4 of the Pension Benefits Act, including transfer of the Plan's assets and liabilities to the UPP, and will support the position of the University in its application, when made, for the approval of such conversion and transfer. For clarity, if the Union does not provide consent on behalf of all employees in the bargaining unit covered by the Collective Agreement to the conversion of the Plan to the UPP under section 80.4 of the Pension Benefit Act before March 1, 2019, then the terms and conditions of this MOA will be null and void and will not be implemented.

2. Participation in the UPP

- (a) Effective January 1, 2020, or, if later, the effective date of the UPP, employees who are active members of the Plan shall become members of the UPP ("**Contingent UPP Members**"), provided that they shall not accrue any service under the UPP until the later of the date that the Superintendent of Financial Services (or his or her successor) approves a transfer of the assets from the Plan to the UPP and July 1, 2021 (or such other date as the transfer may be approved or the parties may agree) (the "**UT Conversion Date**").

- (b) Employees who become members of the Plan on or after January 1, 2020 but before the UT Conversion Date, will be enrolled in the UPP according to the UPP eligibility provisions as Contingent UPP Members.
- (c) Effective on the UT Conversion Date, the Contingent UPP Members shall commence accruing pensionable service under and making contributions to the UPP in accordance with the terms of the UPP and shall no longer accrue pensionable service under, make contributions to, or have any entitlements or rights under the Plan and the Plan shall, as of the UT Conversion Date cease to exist as a separate pension plan. A Contingent UPP Member who commences accruing pensionable service under and making contributions to the UPP will be referred to in this MOS as a "UT UPP Contributing Member".
- (d) Employees who are not members of the Plan as of the Conversion Date will join the UPP in accordance with its terms.
- (e) The terms of the UPP will be consistent with those terms set out in the amended Milestones Agreement dated October 18, 2018 and including any further amendments to the Milestones Agreement made in writing by the parties to it, and such other terms as are provided under the definitive documentation establishing the UPP.

3. Member Contributions and other Changes under the Plan effective July 1, 2019

- (a) The Plan will be amended to provide for the following changes (including such other consequential amendments as are necessary or desirable to give effect to the implementation of the changes below), effective as of July 1, 2019:
 - i. Subject to receiving a waiver from CRA in respect of contributions in excess of 9% employee contributions under the Plan shall be:
 - (1) 9.2% of Pensionable Salary up to the CPP Maximum Salary; and
 - (2) 11.5% of Pensionable Salary over the CPP Maximum Salary
 - ii. The pensionable salary cap for 2019 under the Plan applicable for purposes of member contributions is \$165,000 increased by the % increase in the Income Tax Act ("ITA") Maximum pension limit for 2019. For pension benefit calculation purposes, the highest average salary will be capped at the level at which the ITA maximum pension is reached in the year of retirement or earlier termination;
 - iii. First year indexing [Sections 7.01(a) and 7.02 of the Plan] is removed from the Plan, and for greater certainty, those retiring under the Plan effective June 30, 2019 shall not have their pensions adjusted for first year indexing on July 1, 2019, except to the extent, if any, required by law; and
 - iv. Termination benefits equal to two times contributions [Sections 2.15(b), 9.02, 9.03 of the Plan] shall be removed from the Plan and for greater certainty, those terminating employment on or after July 1, 2019 will not have the option to elect this termination benefit, except to the extent, if any, required by law.

4. Salary Increase

Effective on July 1, 2019 and upon the implementation of the contribution increase referred to above a 1.5% Special One-Time-Only adjustment to June 30, 2019 base salary (not compounded with July 1, 2019 Across-The-Board increase), up to the contribution pensionable salary cap of \$165,000, for employees in the bargaining unit on July 1, 2019.

5. Member/employer contributions under the UPP

On the date that pension accrual starts under the UPP for the members of the Plan, the contributions shall be 50/50 and subject to change thereafter as determined by the Sponsors of the UPP, including under any Funding Policy developed by the Sponsors. 50/50 contributions on the date that pension accrual starts under the UPP are currently expected to be:

- i. 9.2% of Pensionable Salary up to the YMPE;
- ii. 11.5% of Pensionable Salary over the YMPE

6. Amendments to the Collective Agreement

On or before the UT Conversion Date, and effective as of the UT Conversion Date, the Collective Agreement or any renewal collective agreement between the University and the Union in effect on the "UT Conversion Date" will be deemed for all purposes to be amended in a manner and to the extent necessary to reflect all of the terms and conditions of this MOA, including, without limiting the generality of the foregoing:

- (a) Deletion of references to the Plan in Article 26.01 and any Schedules;
- (b) The incorporation of "no grievance and arbitration provisions" respecting pension matters – i.e. any and all issues related to the UPP shall not constitute a "difference" between the parties for the purposes of the Ontario Labour Relations Act or the collective agreement in effect on the UT Conversion Date and must be addressed under the provisions of the UPP and whatever mechanism the Sponsors may implement for issues or disputes related to the UPP and that it is the intention of the University and the Union that an arbitrator appointed under the collective agreement shall have no jurisdiction to hear any grievance referred to arbitration or grant any remedy in any way related to the UPP; and
- (c) Acknowledgement that the terms and conditions of the UPP are not subject to collective bargaining, save and except for mutual agreement in writing to withdraw from the UPP pursuant to and in accordance with the terms and conditions of the UPP, including any notice provisions, for doing so.

7. Enforcement of the MOA

This MOA shall be appended to and form part of the Collective Agreement and any renewal collective agreement in effect before the UT Conversion Date and notwithstanding the grievance and arbitration provisions of any collective agreement. William Kaplan shall be seized as mediator arbitrator of any issues related to the interpretation, application, administration or alleged violation of this MOA. If William Kaplan is unable or unwilling to serve as mediator arbitrator than Eli Gedalof shall be seized as mediator arbitrator

8. Ratification

The representatives of the parties respective negotiating committees hereby agree to unanimously recommend to their principals the ratification of this MOA.

FOR THE UNIVERSITY

K. Harold Moffat

[Signature]

Steph Dye

J. Matruel

FOR THE UNION

[Signature]

[Signature]

DATED AT TORONTO THIS 14 DAY of November 2018.