UNITED STEELWORKERS
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LOCAL 1998

University Pension Plan (UPP) Information Package Contents:

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UNITED STEELWORKERS
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LOCAL 1998

January 2019

Dear member of USW Local 1998,

This package includes important material regarding our local's upcoming vote on the conversion of the current single-employer University of Toronto Pension Plan to the new University Pension Plan (UPP).

Our vote will take place on February 6, 7, 12 and 13, with polls open from 8:30 a.m. to 6 p.m. Details on voting locations will be posted on our USW Local 1998 website (usw1998.ca) and will be emailed to all members.

The USW Local 1998 Executive has passed a resolution of unanimous support for the UPP and recommends that Local 1998 members vote YES.

As you know, concerns about our current pension plan have been longstanding.

The 2008 financial crisis took a major toll on single-employer pension plans across Canada. Ongoing investment volatility, as well as increasing costs have been a cause for growing concern for over a decade.

At the same time, defined benefit pensions in the private sector are increasingly being replaced by inferior defined contribution plans.

This puts pressure on single-employer defined benefit plans in the public sector, like ours at the University of Toronto. This growing "pension gap" between the private and public sectors places plans like ours under increasing focus by governments and outside actors, such as certain think-tanks, as targets for cost-cutting or unilaterally imposed structural changes.

As well, pension plan shortfalls and onerous provincial funding rules for Ontario universities have resulted in sometimes severe effects on university budgets, with real impacts on staff salaries and job security.

Successive governments have made it clear that the current funding model for single-employer pension plans like our current plan is unlikely to be sustained in the broader public sector.

In other public-sector pensions across Canada, governments have legislated negative changes such as unilateral limits on plan provisions, limits on contributions, forced conversion to joint sponsorship with government-imposed terms, and in some cases fundamental changes to the very promise of defined pensions.

The UPP is an opportunity for us to get ahead of these pressures for negative change.

As a multi-employer defined benefit jointly sponsored pension plan (JSPP), the UPP's important structural differences mean that it is more resilient, more sustainable, and the better path forward for sustaining defined benefit pensions at the University of Toronto and indeed in the entire Ontario university sector.

The UPP is structured to be a JSPP, established by conversion of the current pension plans at the University of Toronto, the University of Guelph and Queen's University. And because the UPP is designed to grow, it is reasonable to expect the participation of other Ontario universities and employee bargaining agents soon after its inception.

As a defined benefit pension plan, the UPP would provide a defined, guaranteed pension determined by a formula based on your earnings and your years of service in the plan. The pension will be paid for your lifetime, and will add together your benefits earned under the current University of Toronto plan with benefits earned under the new UPP. All benefits earned, both from all of your accrued service in the current plan and all of your accrued service in the UPP, are defined, guaranteed and unchangeable.

The UPP's provisions are closely modelled on the current University of Toronto Pension Plan:

- The UPP benefit formula has the same strong accrual rates as the current plan.

- The UPP's early unreduced pension rights are the same as the current plan.

- To create a more affordable plan, the UPP uses 48-month averaging, which means that the best four years of your salary are averaged. We currently have 36-month averaging. Other JSPPs, such as the Teachers' Plan, uses 60-month averaging.

- UPP contributions are higher; but for employees, contributions are offset by a new agreement we have come to with the University to increase staff salaries, in addition to the increases already guaranteed in our collective agreement.

- The UPP's joint governance structure means that if a surplus occurs, the two sides of the UPP sponsor board (employee and employer) will decide how to use surplus funds. That could mean improvements; but, pension contribution holidays for the University will be a thing of the regrettable past. No responsible sponsor board would permit them.

- If a deficit occurs, the two sides of the sponsor board will have to agree on how to address it. In the UPP model, that could mean temporarily lowering the index rate on a go-forward basis, or temporarily increasing contributions. Earned service (including earned indexing against inflation) cannot be changed.

The UPP is the product of vigorous negotiations by USW Local 1998, other USW locals, other unions, and the faculty associations with the administrations of the University of Toronto University of Guelph and Queen's University. Our goals in those negotiations were to achieve a sustainable defined benefit pension plan that would provide strong, dependable retirement income for our members, create a financial buffer, and hold each university accountable for its own debt. Together with the other respective USW locals and the faculty associations, we achieved those goals.

As noted above, our union has bargained a new settlement with the University, contingent upon ratification of the UPP, to provide our members with a new 1.5% salary increase on July 1, 2019. This offsets an increase in employee pension contributions as part of the transition to the UPP. And this 1.5% increase is in addition to the separate 2% increase effective on the same date as provided by our collective agreement.

The USW Local 1998 Executive unanimously supports the UPP and recommends that Local 1998 members vote Yes in the February ratification vote.

We are recommending conversion to the UPP because it is increasingly likely that that the current pension model will not hold over the long term.

This package provides extensive information about this important decision, but as always if you have any questions, contact USW Local 1998 at info@usw1998.ca or at 416-506-9090.

As well, more UPP and general pension information (including previous lunch-and-learn presentations and webinars) can be found at **usw1998.ca** and **universitypension.ca**.

In solidarity,

Colleen Burke, *President*

P.C. Choo, *Vice President*

Mark Austin, *Recording Secretary*

Tony Eyre, *Financial Secretary*

Tamara Vickery, *Treasurer*

Nik Redman, *Trustee*

Ludmila Elias, *Trustee*

Zack Sholdra, *Trustee*

Betty Walters, *Guide*

Collin Harris, *Guard*

Alex Thomson, *Guard*

Nick Marchese, *Casual Unit President*

John Ankenman, *Victoria Unit President*

Steven Koschuk, *SMC Unit President*

Martin Aiello, *UTS Unit President*

UNITED STEELWORKERS

LOCAL 1998

University Pension Plan (UPP) – an Overview

The UPP was designed during months of negotiations between unions and faculty associations: principally United Steelworkers Local 1998, United Steelworkers Local 4120, United Steelworkers Local 2010, the University of Toronto Faculty Association (UTFA), the University of Guelph Faculty Association (UGFA), Queen's University Faculty Association (QUFA) and the administrations of the University of Toronto, the University of Guelph and Queen's University.

The UPP's benefit provisions are closely modelled on the current University of Toronto Pension Plan.

The UPP will be jointly governed by a labour sponsor representing the employee bargaining agents, and an employer sponsor representing the respective university administrations.

The UPP will be...

- a defined benefit plan,
- a multi-university plan designed to grow in the sector, and
- governed jointly by employers and employees.

UPP retirement benefits are calculated such that...

- all pension credits earned in the current plan are preserved: your benefits for years of service in the current plan are calculated using the current plan's rules, and your benefits for years of service under the UPP are calculated using the UPP's rules;
- a new offsetting salary increase negotiated by USW Local 1998, in addition to the prevailing salary increases in our collective agreement, minimizes the increases in the new plan's contribution levels that impact our members and;
- added together, benefits earned under both plans provide you with a defined benefit pension when you retire.

Financially, the UPP...

- requires that each participating university pay down its own debt; and
- will begin with a clean start as a fully funded pension plan.

Why we are recommending the UPP

Like most single-employer pension plans in the Ontario university sector, the current U of T plan faces challenges...

- The 2008 financial crisis took a major toll on the plan.
- The 2017 valuation of the current U of T plan revealed significant funding issues:
    - Going concern downfall: $362 million
    - Solvency shortfall: $865 million
    - U of T must pay extra to fund the shortfalls; these extra payments come out of U of T's general operating budget.
- Funding levels are not sustainable and could impact university programming or lead to negative changes to the current plan.

The Ontario government has raised concerns about pension funding in the broader public sector in every budget since 2010.

Across Canada, provincial governments have been imposing changes on public-sector employees' pension plans, such as unilateral limits on plan provisions, legislated limits on contributions, forced conversion to joint sponsorship with imposed terms, and in some cases fundamental changes to the pension promise.

The current pension model in the Ontario university sector is a patchwork of differing single-employer plans, all facing significant challenges and uncertainties. Successive governments have made it clear that the current funding model for single-employer pension plans like our current plan at the University of Toronto is unlikely to be sustained in the broader public sector.

The UPP is a historic opportunity to get ahead of these pressures for negative change and to, instead, maintain sustainable defined benefit pensions for the future.

Key UPP Features

Defined benefit	Like all JSPPs in Ontario, the UPP will be a final average earnings-based defined benefit pension plan.
Jointly sponsored	The governing body – often called the sponsor board – will be made up 50/50 of representatives of employers, and representatives of unions and associations that represent plan members in labour relations.
Contributions	More stable and predictable contributions from employers and plan members (no more unilateral contribution holidays for universities).
Funding rules	Relief from some of the financial pressures caused by Ontario's current pension funding rules.
Efficiencies and economies of scale	As a much larger plan, the UPP will have greater access to higher-return investment opportunities.
Clear and explicit sharing of reward and risk between employers and plan members	As opposed to the current plan, in which risks and rewards are much more within the employer's control.
Ongoing administration by a board of trustees	Appointed by the equally empowered employee and employer sponsors, they have an independent fiduciary responsibility to plan members.

The UPP will be in good company

JSPPs are a Canadian pension success story–an internationally recognized model for providing secure, high-quality defined benefit pensions. In fact, many large public and broader public-sector defined benefit plans in Ontario are JSPPs.

Here are the five best known:

- Ontario Teachers' Pension Plan (OTPP)
- OMERS
- HOOPP
- CAAT (Colleges Plan)
- OPSEU Pension Trust (unionized public service)

Developing our own JSPP tailored specifically for the needs of Ontario's university sector is the path to ensure the sustainability of defined benefit university pensions going forward.

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Save the date and make sure to vote!
USW Local 1998 Ratification Process

Through this ratification vote, USW Local 1998 is seeking the membership's authorization to consent to the proposed conversion to the UPP and to accept the Memorandum of Agreement signed on November 14, 2018. If a majority of voting members votes in favour, USW Local 1998 will provide its consent.

Our UPP ratification vote will be held on **February 6, 7, 12 and 13**. Polls will be open from **8:30 a.m. to 6 p.m**. Details on voting locations and times will be posted on our USW Local 1998 website (**usw1998.ca**) and will be emailed to all members.

If you are on leave and are physically unable to come to campus on one of the voting dates, please contact the Union immediately to arrange for a mail-in ballot. Mail-in ballots must be received by 5 p.m. on February 13 in order to be counted.

All you need to cast your ballot is photo identification or your Union card.

Below is a sample of how our ballot will appear. It covers the conversion to the UPP and the accompanying November 14, 2018 Memorandum of Agreement between USW Local 1998 and the University of Toronto Administration setting out the terms of that conversion, including the 1.5% salary increase on July 1, 2019.

SAMPLE

Do you support the November 14, 2018 Memorandum of Agreement between USW Local 1998 and the Governing Council of the University of Toronto, and the conversion of the University of Toronto Pension Plan into a new jointly sponsored defined benefit pension plan for the Ontario university sector, to be called the University Pension Plan (UPP)?

☐ **Yes**

☐ **No**

The USW Local 1998 Executive unanimously recommends a *Yes* vote.

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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.

Introduction to Summary of Regulatory Notice Material

The process of converting an existing defined benefit pension plan into a new defined benefit JSPP is governed by Ontario's *Pension Benefits Act (Act)*.

The *Act* requires the administrator of an existing plan (in this case, the University of Toronto) to send a notice package to all members about the proposed conversion. The University of Toronto, the University of Guelph and Queen's University intend to send the notices required by the *Act* to all plan members in April 2019.

Here at the University of Toronto, those notices would be sent to current plan members represented by USW Local 1998, UTFA and other unions, as well as to individual pension plan members who do not have a bargaining agent (known as "unrepresented members"), deferred members and retirees.

The practical operation of the *Act* is to require unions and other bargaining agents to either consent or not to consent to the pension plan conversion on behalf of their active members. The notice process will, therefore, only proceed if the largest employee groups (the USW locals and the faculty associations) decide to consent to the pension plan conversion.

USW Local 1998 will provide its consent upon a positive ratification vote of our members.

The USW locals and faculty associations at Queen's University and the University of Guelph will also hold member ratification votes, and will provide their consent to the UPP based on the results of the votes of their members.

So, in addition to the other information in this package, you will see a detailed summary of the "Schedules" and other technical information that would form part of the notice package you will receive in April if the regulatory process proceeds. The summary includes:

- actuarial information about the status and funding of the current pension plan that would be part of the regulatory notices; and
- in chart form, detailed information about the benefits provided under the current pension plan as compared to the benefits to be provided under the new UPP, set out in a similar but more explanatory manner than would be in the regulatory notices.

Summary of Schedules I and II of the Regulatory Notice Material under the Pension Benefits Act

As part of the process for conversion of the University of Toronto Pension Plan (the "current plan") to the jointly sponsored University Pension Plan (UPP) mandated by the *Pension Benefits Act*, you will be receiving an official regulatory notice from the University of Toronto administration in its role as the current plan administrator.

Because the university will be sending the official notices in April, after the USW 1998 ratification process is complete, the following summary is intended to explain and summarize in detail what you will be receiving in April. The summary is for your information only. The formal regulatory notices may differ.

The required notice would be in two parts, formally called "Schedules." The first part (called Schedule I) would set out the information the current plan has about you as an individual plan member, set out the terms of the current plan, and include a statement of the benefit to which you were entitled as of September 30, 2018. Schedule II would compare the provisions of the current plan and the UPP, and the benefits you will receive for your service to the date of conversion under the two plans.

Below we provide a detailed summary, in advance of the regulatory notices being sent out, of Schedules I and II.

If consent is granted for the proposed transfer from the current plan to the UPP, the effective date – i.e., the date at which pensions will begin to accrue under the terms of the UPP – is targeted to be July 1, 2021. That date may change, however, depending on the timing of regulatory approvals.

Schedule I – the provisions of the current plan that apply to you

a) Personal information – the information contained in this part will be an updated version of the information that is contained in your most recent annual pension statement. The most recent annual pension statement is current as of June 30, 2018. The information in the schedules will be current as of September 30, 2018.[1]

b) Summary of current plan provisions – the notice will summarize the information about the current plan as it applies to you and as is set out in the current plan text.

i) Benefit formula – current plan

Your pension is what is known as a final average earnings based defined benefit plan. Your pension at retirement will be based on the annualized average of your best 36 months of earnings at U of T.

[1] Your statement is available to you through this link – **http://www.hrandequity.utoronto.ca/news/2017-pension-statements-available/**.

For each year of service (with part-time employment pro-rated), your pension would be:

1.6% of your highest average earnings up to the annualized 36-month average maximum pensionable earnings under the Canada Pension Plan (known as the Year's Maximum Pensionable Earnings, or YMPE)

plus

2% of your highest average earnings in excess of the CPP maximum earnings (YMPE)

The maximum pension payable per year of service is limited by the provisions of the *Income Tax Act*. In 2018, that amount was $2,944.44.

ii) Post-retirement indexing – current plan

After retirement, your pension under the current plan will be adjusted as of July 1 each year by 75% of the change in the Consumer Price Index (CPI) for Canada in the previous year for inflation up to 8% and 60% of the increase in the CPI above 8%, or the percentage change in the CPI minus 4%, whichever is greater.

iii) Survivor benefits – current plan

The notice includes the name of your spouse or beneficiaries on record with the current plan and sets out both the normal form of pension payable at retirement (including the normal survivor benefit) together with the survivor benefit options available as alternatives.

The “normal form” of benefit pays a benefit to your surviving spouse equal to 60% of your pension. If your spouse’s death precedes yours, the survivor benefit will be divided among your dependent children and will be payable as long as they are dependent children.

If your spouse is within 15 years of your age, you will receive the full normal benefit set out above.

If your spouse is more than 15 years younger than you, your pension will be reduced so that its total value, including the survivor benefit, is equal to the value of a pension paid to a member with a spouse who is 15 years younger.

If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of five years. That means that your pension will continue for five years or until your death, whichever comes later. If you die within the five years, your beneficiary or estate will receive the pension you would have received for the remainder of the five years.

The notices also describe the optional forms of benefit summarized in the current text.[2]

[2] The booklet describing the benefits applicable to you is available at **http://pension.hrandequity.utoronto.ca/wp-content/uploads/sites/24/2017/10/Brochure-USWA-CUPE3261-1230OPSEU-578-June-2017.pdf**.

iv) Pre-retirement death benefits – current plan

Death before age 55 – your eligible spouse, beneficiary or estate receives the value of the benefit (called the commuted value) earned to your date of death.

Death between age 55 and the normal retirement date (July 1 after turning 65) – the benefit will be the greater of the value of the benefit earned to date or the value of the benefit that you would have received if you had retired immediately prior to your death.

Death after the normal retirement date but prior to receiving a pension – the benefit will be the greater of the survivor benefit that would have been payable had you retired immediately prior to death, or the values that would have been paid out in the event of a death prior to age 65.

v) Benefits on termination of employment – current plan

If you terminate employment for a reason other than death before receiving a pension, you are entitled to receive the pension earned to the date of your termination of employment beginning at the normal retirement date.

Alternatively, you can receive a cash settlement of your pension equal to the greater of the value of the pension earned to the date of termination, or two times your contributions plus interest. The option of receiving two times your contributions plus interest will be removed from the current plan effective June 30, 2019.

The notice also sets out details about the transfer of your pension benefits on termination, as described in your pension booklet.

c) Funded status of the current plan

The notice will then summarize the funded status of the current plan as stated in the most recent valuation the university was required to file with the Financial Services Commission of Ontario.

As of July 1, 2017, the current plan's status was:

1. 93% funded on a "going concern" basis. That means the current plan's assets were equal to 93% of the value of the benefits provided by the current plan, valued using assumptions about long-term investment returns and including the estimated value of future indexing adjustments. The current plan had a going concern deficit of $362,427,000 which the university is required to pay off over a 15-year period.

2. 80% funded on a “solvency” basis. That means the current plan’s assets were equal to 80% of the value of the benefits provided by the current plan, excluding the value of indexing adjustments and valuing future benefits based on short-term low-risk interest rates. The current plan had a solvency deficiency of $864,550,000. Under normal rules, that solvency deficiency would have to be paid off over a 5-year period. However, under temporary solvency relief the university is required to pay off only 25% of the solvency deficiency over a 7-year period and pay interest only on the other 75%. This temporary relief rule expires for valuations effective and filed after May 1, 2018.[3]

3. 60% funded on a wind-up basis. That means that, if the current plan were wound up as of the valuation date, the assets on hand would be equal to 60% of the value of future benefits payable, including the estimated value of future indexing adjustments and using short-term low-risk interest rates.

It is important to note that the university is required to make special payments to the current plan to cover the going concern shortfall. At present, temporary solvency funding relief reduces the university’s obligation to fund the elimination of the solvency deficit.

The university is not required to fund for the wind-up liabilities. However, if the current plan was wound up, the university would be financially obligated for the full amount of the wind-up cost.

d) The consent process to convert the current plan to the UPP

The notice will also describe the consent process for conversion of the current plan to the UPP, and how USW Local 1998’s role as bargaining agent fits into that consent process. Your individual participation in the consent process will be through the ratification vote organized by USW Local 1998.

Schedule II – comparison of the current plan and the UPP

a) A summary of member entitlements as of September 30, 2018 under the UPP assuming that the conversion took place on that date.

Because benefits under the UPP for service prior to the effective date of the UPP will be determined by the provisions of the current plan, the benefits payable under the UPP as of September 30, 2018 will be exactly the same as the benefits payable under the current plan.

b) Contribution rates – UPP

For earnings below the CPP maximum earnings (YMPE) in the current plan, the contribution rate is 7.7% of earnings. Effective July 1, 2019, the contribution rate on earnings below the YMPE will be increased to 9.2%.

In the UPP, the contribution rate up to the CPP maximum earnings will be 9.2% of earnings.

[3] The new rules require enhanced funding in going concern valuations, and require funding for solvency only where the solvency ratio is below 85%.

For earnings above the CPP maximum earnings in the current plan, the contribution rate is 9.5% of earnings. Effective July 1, 2019, the contribution rate on earnings above the YMPE will be increased to 11.5%.

In the UPP, the contribution rate over the CPP maximum earnings will be 11.5% of earnings.

For earnings above the CPP maximum earnings in the current plan, the contribution rate is 9.5% of earnings. Effective July 1, 2019, the contribution rate on earnings above the YMPE will be increased to 11.5%.

In the UPP, the contribution rate over the CPP maximum earnings will be 11.5% of earnings.

For USW 1998 members, the contribution increases associated with the conversion of the current plan into the UPP are offset by corresponding salary increases negotiated by USW 1998. As noted above, our union has bargained a new settlement with the university, contingent upon ratification of the UPP, to provide our members with a new 1.5% salary increase on July 1, 2019. This salary increase offsets an increase in employee pension contributions as part of the transition to the UPP. And this 1.5% increase is in addition to the separate 2% increase on the same date as provided by our collective agreement.

In the current plan, the CPP maximum earnings level (YMPE) was $55,900 in 2018.

In the UPP, the CPP maximum earnings will be each year's YMPE until 2025, and will then be the new "Year's Additional Maximum Pensionable Earnings"(YAMPE) after 2025. The YAMPE is 14% higher than the YMPE (would be $62,726 in 2018) is part of a package of improvements to the CPP, which will be fully effective by the end of 2024. This means that, under the UPP, members' pension contributions will decrease in 2025 by 2.3% of earnings between the YMPE and the YAMPE.

The Canada Revenue Agency (CRA) sets a maximum pension that can be earned for each year of service in a defined benefit pension plan. The CRA maximum earnings for contribution purposes is the estimated final earnings that would generate a benefit under the plan equal to the maximum pension.

In the current plan, the CRA maximum earnings for contributions purposes is $158,000 in 2018. In the UPP, the CRA maximum in 2018 dollars would be $165,000, indexed to the change in the maximum pension payable under the *Income Tax Act*.

c) Comparison of plan provisions – current plan and UPP

University of Toronto Pension Plan – the current plan	UPP
Membership **– not part of notice**	
Membership is optional up to age 35 and is mandatory for full-time employees after age 35. Membership is available to part-time employees who meet the requirements of the *Pension Benefits Act* for part-time employee membership in registered pension plans.	Membership is mandatory for all full-time employees who are eligible for plan membership. Members of the current plan who are under the age of 35 as of the effective date of the UPP will be required to participate in the UPP whether or not they participate in the current plan. Membership is available to part-time employees in accordance with the terms of the *Pension Benefits Act*.
Formula up to CPP maximum	
1.6% of highest average salary up to the CPP maximum.	No change. 1.6% of highest average salary up to the CPP maximum.
Formula over the CPP maximum	
2% of highest average salary over the CPP maximum.	No change. 2% of highest average salary over the CPP maximum.
Definition of highest average salary	
The annualized average of the best 36 months of earnings.	The annualized average of the best 48 months of earnings. Note: the effect of this change would be a percentage reduction in benefits equal in size to about half of a member's average annual percentage salary increase at the end of their career – about 1.5%, or a maximum of about $35 per year.
Definition of average CPP maximum salary	
The annualized average of the YMPE applicable for the 36 months prior to the determination of the pension.	For service before 2025, the annualized average of the YMPE applicable for the 48 months prior to the determination of the pension.

	For service after 2024, the annualized average of the YAMPE (or 114% of the YMPE for years in the calculation for which there is no published YAMPE). Note: the effect of this change will be to slightly reduce the proportion of earnings to which the 2% accrual applies, and will thus tend to produce a slight reduction in the pension payable. There will also be a corresponding reduction of 2.3% in contributions on salary between the YMPE and the YAMPE.[4]
Indexation (pension adjustments to reflect the impact of inflation on the value of your pension)	
Beginning on July 1 of the year following retirement, pension is increased by the greater of: 75% of the percentage increase in the Consumer Price Index for Canada in the previous year up to a maximum CPI increase of 8%, and 60% of any percentage change in the CPI above 8%. Or the percentage change in the CPI minus 4%. These indexing adjustments apply to the deferred pensions of former members. Effective July 1, 2019, the current plan will be changed to eliminate first year indexing. After that date, the first indexing adjustment after retirement will be pro-rated based on the number of payments received between retirement and the following July 1.	The UPP provides for funded conditional indexing. "Funded" means that contributions to the UPP are sufficient to fund indexing to 75% of the change in the CPI in the previous year. Adjustments would be effective January 1, and would be prorated for retirements within one year of that date. The UPP's conditional indexing means that indexing adjustments will be subject to the financial condition of the UPP and a funding policy developed and approved by the Joint Sponsors of the UPP (the unions and faculty associations and the respective universities), and may be less than 75%. The Joint Sponsors have agreed that, for the first 7 years of operation of the UPP, indexing will be paid.

[4] It is not currently known what change, if any, would be made in the UTPP's integration with the Canada Pension Plan upon implementation of the enhancements to the CPP.

	An indexing adjustment less than 75% would apply only to pensions earned during such conditional indexing periods. All indexing for pensions earned for years of service prior to a conditional indexing period would remain indexed at the “full” indexing rate as set out in the UPP for years of UPP service, and at the “full” indexing rate as set out in the current plan for years of service under the current plan. These adjustments will not apply to the deferred pensions of former members.
Normal retirement date	
June 30 following or coincident with the member reaching age 65.[5]	The last day of the month coincident with or in which the member reaches age 65. Note: on average, this change will have the effect of improving the retirement benefit by reducing the normal retirement age of a member by 6 months.
Early retirement	
Members age 60 or more and whose age and pensionable service total 80 or more will receive an unreduced pension. Otherwise, for members who retire within 10 years of their normal retirement date, the pension earned to their date of retirement reduced by 5/12 of 1% for each month their retirement date precedes their normal retirement date.	No substantive change. Members age 60 or more, and whose age and continuous service total 80 or more, will receive an unreduced pension. Otherwise, for members who retire after age 55, the pension earned to their date of retirement would be reduced by 5/12 of 1% for each month their early retirement date precedes their normal retirement date.

[5] Effective June 30, 2019, the current plan will be amended to establish the normal retirement date as the 1st day of the month following the month in which the member reaches age 65.

Post-retirement death benefits	
Without a spouse	
If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of 5 years. That means that your pension will continue for five years or until your death, whichever comes later. If you die within the five years, your beneficiary or estate will receive the pension you would have received for the remainder of the five years. A member can opt for a 10-year guarantee with a pension reduced to cover the increase in cost.	If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of 10 years. That means that your pension will continue for 10 years or until your death, whichever comes later. If you die within the 10 years, your beneficiary or estate will receive the pension you would have received for the remainder of the 10 years.
With a spouse	
The normal form of benefit a 60% survivor benefit, which pays a pension to a surviving spouse (or dependent children while dependent) equal to 60% of the member's benefit at retirement. If your spouse is within 15 years of your age, you will receive the full normal benefit set out above. If your spouse is more than 15 years younger than you, your pension will be reduced so that its total value, including the survivor benefit, is equal to the value of a pension paid to a member with a spouse who is 15 years younger.	The normal form of benefit is a 50% survivor benefit, which pays a pension to a surviving spouse (or dependent children while dependent) equal to 50% of the member's benefit at retirement. To increase the survivor benefit to the 60% level, which is the legislative default, the member's pension will be reduced to offset the difference in cost. Note: the effect of converting the 50% survivor benefit to a 60% benefit would be a pension reduction of roughly 1.5%. If your spouse is within 10 years of your age, you will receive the full normal benefit set out above. If your spouse is more than 10 years younger than you, your pension will be reduced so that its total value, including the survivor benefit, is equal to the value of a pension paid to a member with a spouse who is 15 years younger.

Optional forms of surviving spouse benefits	
Any survivor benefit between 60% and 100% of the member's benefit, with the member's benefit reduced to equate to the cost of the normal form of benefit (60% survivor). A joint survivor benefit between 60% and 100% – which reduces on the death of either spouse. A level income option which reduces the lifetime pension, but increases the pension payable between retirement and eligibility for Old Age Security and an unreduced CPP benefit. This is essentially a self-funded early retirement bridging benefit.	Guarantee periods of 10 or 15 years; survivor benefits of 50%, 60%, 80% and 100%; singly or in combination; all with dependent child options. For optional forms of benefit, the member's pension will be reduced to cover the increased cost.
Pre-retirement death	
Before early retirement eligibility	
A cash payment equal to the amount that the member would have been entitled to, had they terminated employment immediately prior to death and selected the commuted value option.	No change – a cash payment equal to the amount that the member would have been entitled to had they terminated employment immediately prior to death and selected the commuted value option.
After early retirement eligibility	
The greater of the value determined above or the commuted value of the early retirement pension that the member would have received, had they retired immediately prior to their death, taking into account any early retirement benefit reductions that would have applied.	No change – the greater of the value determined above or the commuted value of the early retirement pension that the member would have received had they retired immediately prior to their death, taking into account any early retirement benefit reductions that would have applied.
After normal retirement date	
The member will be deemed to have retired immediately prior to death, and the form of benefit options applicable to a survivor will be applied.	A cash payment equal to the amount that the member would have been entitled to, had they terminated employment immediately prior to death and selected the commuted value option. The greater of the value determined above or the commuted value of the retirement pension that the member would have received, had they retired immediately prior to their death.

Benefits on termination	
For termination of employment for reasons other than death, a deferred pension beginning between the member's early retirement age under the plan and the member's normal retirement age. The benefit is the pension earned to the date employment is terminated, beginning at the normal retirement date. A deferred pension may begin at any age after the member's early retirement age, but will be reduced to the same value as a benefit beginning at the normal retirement date. Deferred pensions are indexed in the deferral period in accordance with the regular indexing formula in the plan.	Deferred pension entitlement is the same as in the current plan. Deferred pensions are not indexed in the deferral period. Normal indexing would commence on the date of commencement of the pension.
Portability	
In lieu of a deferred benefit, transfer to another retirement income vehicle of the greater of the commuted value of the deferred benefit, or two times the member's contributions, plus interest.[6] Effective June 30, 2019, the two times contributions plus interest option will be removed from the current plan. A member whose employment is terminated after their early retirement date (10 years from normal retirement) may elect to transfer the value of their benefit to another retirement vehicle.	In lieu of a deferred benefit, provided the member is not eligible for an immediate pension, you may transfer the commuted value of the benefit to a retirement income vehicle. There is no two times contributions plus interest option in the UPP. There is no commuted value option for a member who is eligible for an immediate (reduced or unreduced) pension (i.e., after age 55). The elimination of the commuted value option after age 55 will be implemented in three stages. For the first three years after the effective date of the UPP, the portability rules in the current plan will apply. For years four through 10 after the effective date, the current plan portability rules will apply to service under the current plan and the UPP rules will apply to service under the UPP. After the 10th year, UPP rules – i.e., no commutation of benefits after age 55 – will apply to all benefits.

[6] See the plan booklet **http://pension.hrandequity.utoronto.ca/wp-content/uploads/sites/24/2017/10/Brochure-USWA-CUPE3261-1230OPSEU-578-June-2017.pdf** for a listing of the eligible portability vehicles.

Small pensions	
If commuted value of a pension payable at normal retirement is less than 20% of the YMPE under the Canada Pension Plan, or the benefit payable is less than 4% of the YMPE, the plan may pay the benefit out in cash as described above.	No change – same provision as current plan.

d) Indexation

For service prior to the effective date of the UPP, indexing would be in accordance with the provisions of the current plan. For service after the effective date of the UPP, indexing would be in accordance with the provisions of the UPP – i.e., funded conditional indexing at 75% of the CPI, conditional on the Joint Sponsors' funding policy.

The UPP would not provide for indexing of deferred pensions of former members during the deferral period.

e) Integration with CPP

As described above, the UPP integrates with the CPP by incorporating the maximum earnings eligible for CPP purposes into the benefit design and contribution system.

For service prior to 2025, the formula and contribution rates below the YMPE are reduced to reflect eligibility for CPP benefits attributable to those earnings.

For service in 2025 and later, the formula and contribution rates below the YAMPE are reduced to reflect eligibility for the additional CPP benefits that will be fully implemented by the end of 2024.

f) Death benefits

Death and survivor benefits arising from service prior to the effective date of the UPP will be determined based on the provisions of the current plan, as summarized above.

Death benefits arising from service after the effective date of the UPP will be determined based on the provisions of the UPP, as summarized above.

g) Joint sponsorship and governance of the UPP

The UPP would have a two-tier governance structure:

Joint Sponsors

There will be two sponsors.

The Employer Sponsor, consisting of representatives of employers – the University of Toronto, the University of Guelph and Queen's University; and the Labour Sponsor, consisting of representatives of the unions and faculty associations that represent plan members.

The Joint Sponsors would determine the benefits from and contributions to the UPP, as well as its funding policy.[7] The Joint Sponsors would also be responsible for the appointment of the Board of Trustees which would be the administrator of the UPP.

Board of Trustees

As the administrator of the UPP, the Board of Trustees would consist of 14 Trustees: an independent chair jointly appointed by the Sponsors; 6 appointed by the Employer Sponsor; 6 appointed by the Labour Sponsor; and one appointed by members not represented by a union or faculty association, in accordance with a pre-determined process approved by the Joint Sponsors. The non-unionized nominee would not have a tie-breaking vote.

The Board of Trustees would be responsible for the day to day administration of the UPP, including the provision of member services, the investment of UPP assets and compliance with applicable legislation. The Board of Trustees would have fiduciary responsibilities to the UPP members.

h) Funding of the UPP

The University of Toronto will be fully responsible for any going concern unfunded liability in the current plan as of the UPP effective date. The University of Toronto will be required to amortize that unfunded liability in the current plan over a period not to exceed 15 years; those payments will be mandatory, and not dependent on future funded status of the UPP.

In addition, for the first 10 years of operation of the UPP, the University of Toronto will be responsible for any losses associated with the current plan. That means, for example, that if the return on the assets invested to provide benefits earned in the current plan is lower than is expected, the university will be responsible for covering the loss.

For the next 10 years, responsibility for funding of service accrued prior to the effective date of the UPP will transition in equal steps from 100% University of Toronto responsibility to 50/50 employer/employee responsibility. That means, between years 11 and 20 of the UPP's operation, the university will share cost of covering losses on benefits brought into the UPP from the current plan with the

[7] The funding policy for the UPP would be approved by the Joint Sponsors, and would set out the steps to be taken in response to funding surpluses or deficits revealed in normal funding valuations.

UPP. After year 20, any losses will be covered by the UPP in accordance with the funding policy agreed upon between the Joint Sponsors.

i) Benefits on wind-up of a JSPP

The originating university remains responsible for benefits earned prior to the effective date of the UPP.

For benefits earned after the effective date, the UPP is responsible for the benefits.

This is different from the current situation for the current plan. In the current plan, the university is responsible for any unfunded liability on wind-up, whereas in the UPP, it is only responsible for an unfunded liability arising from service prior to the effective date of the UPP.

In the event that the University of Toronto is unable to pay (i.e., is insolvent with insufficient assets to cover the pension liability), members of the current plan are eligible for coverage under the Pension Benefits Guarantee Fund – a provincial fund that covers the unfunded portion of the first $1,500 in monthly benefits. This means, for example, that if the current plan were to be wound up, the university was insolvent and the funded ratio on wind-up was 80%, members would receive the unfunded 20% of $1,500 (or $300) per month from the Guarantee Fund.

After the effective date of the UPP, benefits are not covered by the Pension Benefits Guarantee Fund. Instead, the benefits are guaranteed by the UPP. In the unlikely event that the UPP itself were to be wound up, the university would be responsible for any wind-up deficit related to benefits transferred into the UPP from the current plan.

j) Funded status of the UPP

As of its effective date, the UPP will be 100% funded on a going concern basis, with any going concern unfunded liability related to benefits transferred into the UPP to be amortized through a series of irrevocable payments from the university to the UPP over a maximum of 15 years. As service accrues under the UPP, the UPP will be responsible for any payments required to pay down losses that arise in the course of its operation. The basis for the exercise of that responsibility will be determined in the funding policy for the UPP developed by and approved by the Joint Sponsors. Losses would require some combination of contribution increases, benefit reductions, and the suspension of indexing adjustments in accordance with the conditional indexing policy.

k) Solvency funding

The establishment of the UPP is conditional on confirmation by the Government of Ontario that the funding rules applicable to JSPPs under the *Pension Benefits Act* will apply to the UPP. These JSPP funding rules exempt from solvency and other special funding requirements for any JSPP that is named in a regulation to the *Pension Benefits Act*.

It would simply not be practicable to establish the UPP if its funding were subject to the extreme funding volatility associated with a requirement for solvency funding. The initially participating universities, faculty associations and USW local unions welcome the indication in the official 2018 Fall Economic Statement of the Province of Ontario that such an exemption will be granted to the UPP.

l) Grow-in benefits

The *Pension Benefits Act* provides for enhanced benefits to be paid to pension plan members whose plan membership is involuntarily terminated, subject to meeting certain eligibility requirements. These enhanced benefits are called "grow-in" benefits, and in such situations, terminated members derive the financial benefit from any early retirement benefits to which they might have become entitled had their employment continued uninterrupted.

The Joint Sponsors have agreed that the UPP will not elect to exclude the plan from the operation of s.74 of the *Pension Benefits Act*, which provides for grow-in benefits.