



Dear USW members at the University of Toronto, the University of Guelph and Queen's University.

This is the first in a series of shared USW newsletters for all three USW local unions about the University Pension Plan (UPP). While each USW local will continue to engage in outreach and education specific to members at each university, these shared newsletters will ensure that information continues to be shared with all of our members at each of the three universities on a regular basis.

The context for the UPP initiative

A key mission of our union is to represent members' interests in a more secure retirement. For several years our union has been watching pension trends with increasing concern, especially as they relate to stand-alone, single-employer pension plans like those at many Ontario universities.

The USW has been at the forefront of working toward the creation of the UPP, **a new jointly sponsored pension plan (JSPP)**, as the best way to ensure our retirement security in the Ontario university sector and to address some of the significant challenges that currently face single-employer pension plans. We have taken this proactive stance to gain better control of the pension situation and avoid being driven by somebody else's agenda.

Under Ontario pension law, **a JSPP must be a defined benefit pension plan**, which ensures that your benefit at retirement is determined by a set formula based on your earnings and your years of service in the plan. The pension is paid for your entire lifetime and all benefits earned are guaranteed and unchangeable.

In contrast to the current separate and stand-alone single-employer plans at our three universities, the UPP would be a multi-employer

JSPP covering all three institutions, with the opportunity for other universities, unions and faculty associations to join after its inception.

Our union is proud to be playing a leadership role in this unique, once-in-a-generation opportunity to secure a defined benefit pension system within the Ontario university sector by creating the UPP.

Understanding risk

Risk is inherent in pension plans – whether they are defined benefit (DB) plans or defined contribution (DC) plans. There are two risks that are common to both plan types:

- 'longevity risk', which comes from the increasing life expectancy of pensioners, and can result in longer periods of pay than expected for pension funds; and
- 'investment risk', which includes the risk that the pension fund does not perform well enough to keep pace with the growth in the cost of providing pension benefits.

But stand-alone, single-employer sponsored pension plans in the public sector, like our current plans, face another risk. It comes from the difference between the steep decline in private sector pension coverage and what are seen as the more secure pensions of the public sector.

This drop in private sector pension coverage stems from many employers offloading risk by converting defined benefit pension plans to defined contribution plans. In stark contrast to the promised and defined pension benefit provided by DB plans, under DC pension model employees and retirees fully bear the risks of investment and outliving their assets.

This contrast between the public and private sectors makes pension plans like ours more vulnerable to the possibility that, at some point

in the future, a provincial government might unilaterally enact major changes to the structures of single employer public sector pension plans.

A proven vehicle for our defined benefit pension future

Against this backdrop, Ontario's jointly sponsored pension plans are beacons of stability. With a world-recognized record of financial and administrative success, Ontario's large JSPPs have performed well over an extended period covering at least three significant adverse events in financial markets. These large plans — such as Teachers', OMERS, HOOPP, CAAT and OPTrust — have been successful in managing risks and are respected around the world for having done so. Ontario law exempts JSPPs from solvency funding obligations, allowing them to plan and fund for the longer term. They have delivered on their members' needs.

Most of the major JSPPs are attracting new members as single-employer plans recognize the potential vulnerability of their stand-alone status. And Ontario's JSPPs have largely been immune from the negative political pressures that face single-employer pension plans.

An equal say in plan design, funding and administration

As a JSPP, the UPP would be governed jointly by university employees (the faculty associations

and the unions) and university administrations. Compared to our current single-employer plans, which are governed solely by the university administrations, the UPP would have greater transparency in plan operations, funding and decision-making.

If the UPP has surplus assets, employees will have an equal say on the use of those assets for benefit enhancements. This means that unilateral employer pension contribution holidays are not possible.

Similarly, if there is a shortfall, employees have to participate in decisions around any corrective action necessary to address it, such as increasing contributions or temporarily lowering indexing on pensions in pay. **Shortfalls cannot be addressed by lowering pensions already earned. Thus, all accrued service in your previous plan plus all accrued service in the UPP would be fully protected under the terms of the UPP.**

Upcoming newsletters

Our next USW pension newsletters will discuss how JSPPs better manage risks, how provincial pension funding requirements better fit JSPPs, the USW ratification process and the government-regulated consent process, among other topics.

USW members will have an opportunity to vote on the proposed UPP in early 2019.

TO LEARN MORE ABOUT THE UPP



Visit 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

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.
