The University Pension Plan and *your* retirement future

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University Pension Plan - Video

- Video

What we'll talk about today

- **Why** we need this change
- **What** this change means for you
- **Off-sets**
- **How**: Consent & Ratification Vote
- **Who**: Your future – your pension
- **Vote**

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Why we need this change

What is in the UPP for USW members?

- Long-standing objective of USW is to achieve a jointly governed pension plan that has control and voice over:
  - Investment decisions
  - Contribution holidays

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Why we need this change

What is in the UPP for USW members?

- The UPP will sever the current link between pensions and the operating budget
  - Pension decisions will be based on the interests of the plan and plan members rather than on the operating budget

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The current Queen's pension plan

- The Queen's Pension Plan (QPP) is a hybrid pension plan
- It provides a pension at retirement that is the higher of :

Minimum guarantee defined benefit

or

Money purchase pension benefit

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The current Queen's pension plan

- The Queen's Pension Plan (QPP) is a hybrid pension plan
  - **Minimum guarantee defined benefit:**
    defined and calculated based on a formula related to your earnings and years of service.
  - **Money purchase pension benefit**:
    amount of pension that can be provided by combined contributions (employee + employer) plus investment earnings, less the charge for the non-reduction guarantee serving to convert the money purchase benefit into a defined benefit.
  - If the QPP fund's investment returns are strong, you can receive a higher pension than the minimum guarantee defined benefit.

Introducing the University Pension Plan (UPP)

- The current Queen's Pension Plan:
  - Single-employer (hybrid money purchase and defined benefit)
  - Governed solely by its sponsor, Queen's University

- The proposed University Pension Plan (UPP):
  - Multi-employer
  - Jointly-governed
  - Defined benefit

Why we need this change

Pressure on the current plan means change is required

- Financial
- Regulatory
- Political

Financial Pressures

- Longevity
- Low Interest Rates
- Market Volatility
- Investment Opportunities

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Financial Pressures

- Our current single-employer pension plan faces real uncertainty:
  - Costs and solvency payments that are not financially viable mean significant risk to the employer
  - Cost control can happen through:
    - Employment loss
    - Benefit reduction(s) – pension or other benefits
    - Change to plan type – pressure to move to defined contribution model plan only; i.e. remove the minimum guarantee benefit

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Regulatory Pressure

- Solvency Valuation
- Pension Benefits Guarantee Fund (PBGF)

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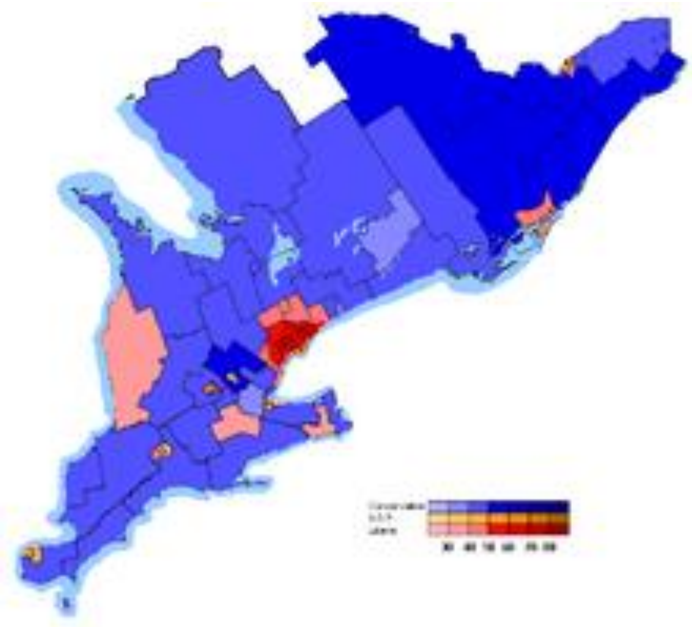
Political Pressure

- Pension Plan coverage in decline in Ontario
- DB to DC plan conversion
- Provincial Government



What do we want to change too?

Jointly Sponsored, Multi-Employer plans solve four issues affecting the current plan

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

ONTARIO TEACHERS' PENSION PLAN

HOOPP Healthcare of Ontario Pension Plan

OMERS

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What else is the different between our plan and a JSPP?

JSPP

- Jointly Sponsored, 50% Employer, 50% Employees
  - Joint Control
  - Joint Fiscal Responsibility
  - Joint Risk

Our Plan

- Single Employer, Single Sponsor Plan
  - University has control
  - University owns both deficits and surpluses
  - University has sole Risk

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The USW’s goals for the UPP - *achieved*

- Protect **defined benefit** pension model
- **Clean start** – past deficits paid by employer
- Achieve **long term sustainability**
- **Multi-employer structure, built for growth**
- **Equal voice**
- Ability **to continue participation** if moving between ‘in- network’ universities

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Joint and shared governance in the UPP

The UPP's *joint governance* means that unions and faculty associations will have the same powers as university administrations over the plan.

- **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)

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Shared Risk

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Key takeaway: your Queen's Pension Plan service is guaranteed and fully protected

Past service fully protected

Plan comparison

Benefit provision	Current Queen's Plan	The UPP
Pension amount	**Minimum guarantee** 1.4% / 1.8 % -or- **Money purchase** employee contributions *plus* Queen's contributions *plus* plan earnings *minus* charge for non-reduction guarantee	1.6% / 2% (YAMPE in 2025) *(YAMPE = Years Additional Maximum Pensionable Earnings)*

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Plan comparison

Benefit provision	QPP	The UPP
Best average annual earnings	Best 48 consecutive months of highest earnings	Best 48 non-consecutive months of highest earnings
Average annual YMPE ***(YMPE = Years Maximum Pensionable Earnings)***	Same as period as highest earnings	Final 48 month period

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Plan comparison

Benefit provision	QPP	The UPP
Contribution Rates	**Employee contribution** 7% earnings below YMPE *plus* 9% earnings above YMPE **Employer contribution** *Money purchase* 6% salary below YMPE / 7.5% salary above YMPE Maximum employee and employer contributions set by *Income Tax Act*	**Employee contribution** 9.2% salary below YMPE / YAMPE *plus* 11.5% salary above YMPE / YAMPE **Employer contribution** defined and matches ours 9.2% salary below YMPE / YAMPE *plus* 11.5% salary above YMPE / YAMPE

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Plan comparison

Benefit provision	QPP	The UPP
Early retirement age 60 with age plus service over 80	Formula applies to guaranteed pension only. For service prior to Sept.1, 2012: 2% per year (10% reduction); For service after Aug. 31, 2012: 3% per	No reduction
Early retirement age 60 with age plus service less than 80	Formula applies to guaranteed pension only For service prior to Sept.1, 2012: 2% per year for first five years before normal retirement date (10% reduction) For service after Aug. 31, 2012: 3% per year for first five years before normal retirement date,	5% per year from Normal Retirement Date

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Plan comparison

Benefit provision	QPP	The UPP
Early retirement age 55	Reductions to minimum guarantee pension for retiring before age 65 For service prior to Sept.1, 2012: 2% per year for first five years before normal retirement date, *and* 6% for each additional year; For service after Aug. 31, 2012: 3% per year for first five years before normal retirement date, and 6% for each additional year.	5% per year from Normal Retirement Date

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Plan comparison

Benefit provision	QPP	The UPP
Indexing	Excess interest over 6% over previous 6-year average plan return applied to pre- August 31, 2012 minimum guarantee pension supplements as well as all money purchase amounts Post August 31, 2012 minimum guarantee supplements are not indexed ***Moving average returns below 6% create an indexing loss that must be repaid from indexing gains (moving average returns above 6%) before any indexing adjustments can be paid.***	Funded conditional future indexation at 75% of Increase in CPI: 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 Transitional rule: Plan Sponsors have agreed to not reduce indexation below 75% level in first 7 years of UPP's operation Indexing of QPP portion of benefit will replicate current CPP formula for indexing.

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Plan comparison

Benefit provision	QPP	The UPP
Survivor Benefits	Upon pensioner's death, 60% of pension paid to surviving spouse for spouse's lifetime. This is the Normal Form of this provision and is sometimes called a **J&S60**	Upon pensioner's death, 50% of pension paid to surviving spouse for spouse's lifetime – **J&S50**. However, by law, 60% must be available for the surviving spouse. Pensioner's benefit will be actuarially reduced to accommodate for the extra 10% payable to surviving spouse.
	If there is no spouse, upon pensioner's death, 10 yrs. of pension payments go to beneficiary or estate.	If there is no spouse, upon pensioner's death, 10 yrs. of pension payments go to beneficiary or estate.

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Plan comparison

Benefit provision	QPP	The UPP
When you leave	• Future pension based on commuted value of Money Purchase balance + investment earnings (deferred vested pension) • Begin drawing pension when you are eligible or option to transfer your Money Purchase balance or the commuted value of Minimum Guarantee DB to a locked-in vehicle	**Before age 55:** • Begin drawing pension when you are eligible or option to transfer the commuted value or deferred vested pension **After age 55 and before age 65:** • Leave the pension in the UPP and begin drawing when you are eligible

The UPP

- 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 ten 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 tenth year, UPP rules – i.e. no commutation of benefits after age 55 -- will apply to all benefits.

Plan comparison

Benefit provision	QPP	The UPP
Portability within in-network Universities	None	Pension is fully portable if you move to a participating university. Currently Queen’s and U of T and Guelph, with more expected to join

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The UPP – next steps

Timing	Activity
January/February 2019	• Continued member engagement, information and education • Town Halls and Drop-In sessions • Ratification packages mailed to all USW members
February, 2019	• Consent and Ratification vote to be held
February 2019	• Ratification votes being held across USW Locals and Faculty Associations at Queens, Toronto and Guelph
March 26, 2019	• Notice and consent packages sent to all members by the employer

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The Ballot - DRAFT

Do you support the December 21, 2018 tentative agreement between the United Steelworkers (on behalf of USW Local 2010) and Queen’s University in respect of a renewed Collective Agreement, and the conversion of the Queen's 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 2010 Executive Board unanimously recommends a Yes vote.

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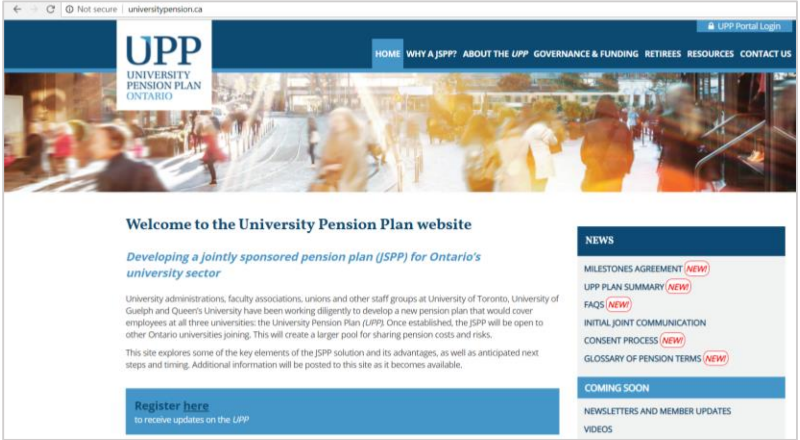
Your future. Your decision.

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

Resources

- www.universitypension.ca
- info@universitypension.ca
- https://usw2010.ca



Questions

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