MTCU Budget
Update to the Multi Year Plan and Fiscal Challenges

March 10, 2009

Presentation to employee groups

University’s Immediate Fiscal Challenges:

1. **Eliminating the “Structural” Deficit:**
   - **Multi-year plan: assumptions/risks**
   - **Assignment and Implementation of Targets**
   - **Progress to date**
2. **Endowments:**
   - **Global financial markets**
   - **Impact on University**
3. **Pension:**
   - **Global Financial Markets**
   - **Impact on the University**

Eliminating the Structural Deficit: MTCU Operating Budget

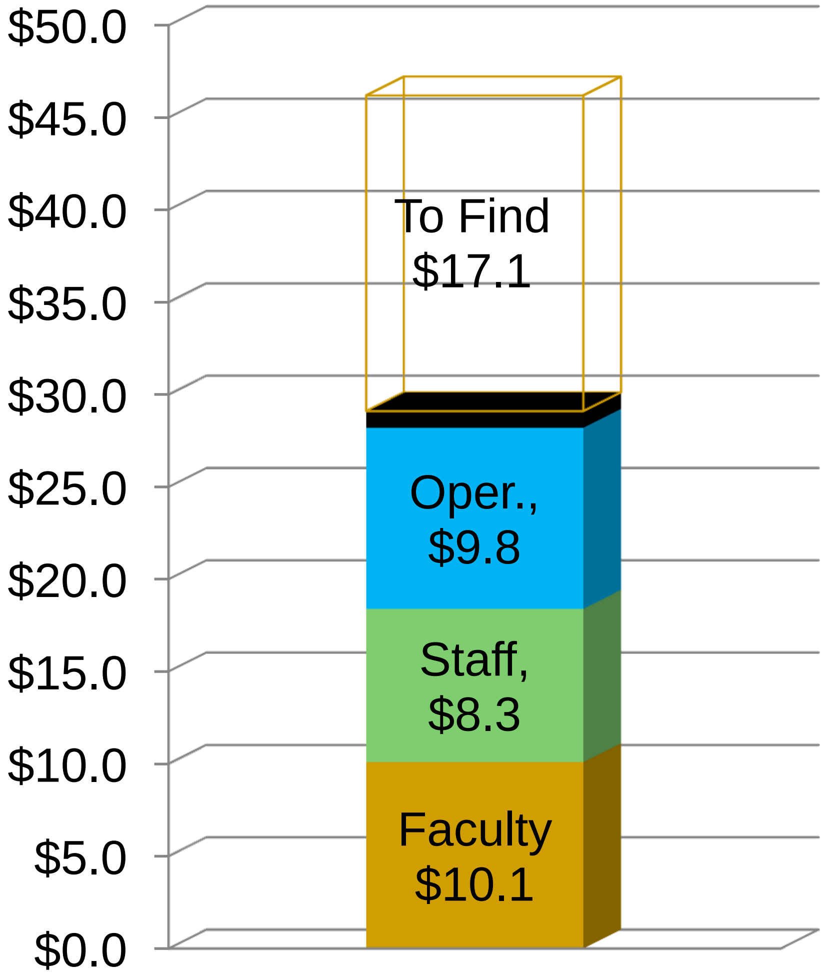
1. **Four year Plan: 2009-2012**
   - **To eliminate $16.1M in budget "structural" deficit and**
   - **Cover projected cost increases**
2. **Assignment of targets: differentiated using <u>Integrated Plan</u>**
   - **IP metrics and priorities**
   - **Units reductions ranging from 7% to 40% (MTCU)**
3. **Need to incur a one-time deficit: up to $48M by 2012**
   - **Buyout costs +20M**
   - **Could not reduce fast enough**
     - **Achieve $5M-6M structural reduction each year**
4. **Confirmation of Major Elements of the Plan:**
   - **Each year as part of the budget process**
   - **Updated information**

Revised UNIVERSITY Targets: Two Year grant Freeze

- Targets have been adjusted to reflect the "freeze"
- IP metrics (updated) to assign revised Unit targets

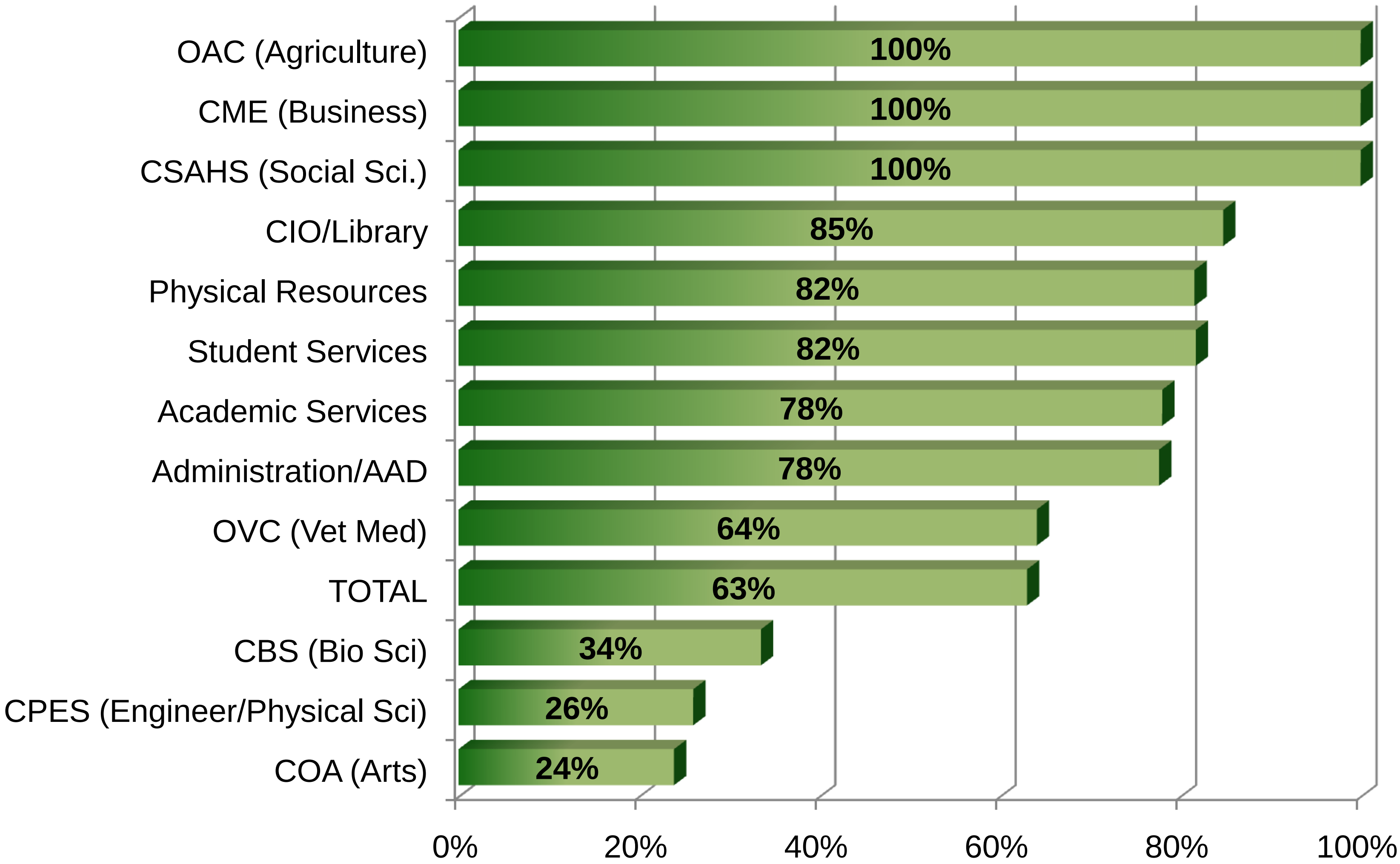
	Initial Grants@3.5% p.a.		Two Year Grant "Freeze"		Change	
2008/2009	2.3%	$ 5.5M	2.3%	$ 5.5M	-	-
2009/2010	4.7%	$11.2M	6.8%	$16.2M	1.8%	$5.0M
2010/2011	4.7%	$11.2M	6.8%	$16.2M	1.8%	$5.0M
2011/2012	3.4%	$ 8.3M	3.4%	$ 8.3M	-	-
Total	15.1%	$36.2M	19.3%	$46.2M	4.2%	$10.0M

Progress: Meeting the 4 Year Target: 63% of Total

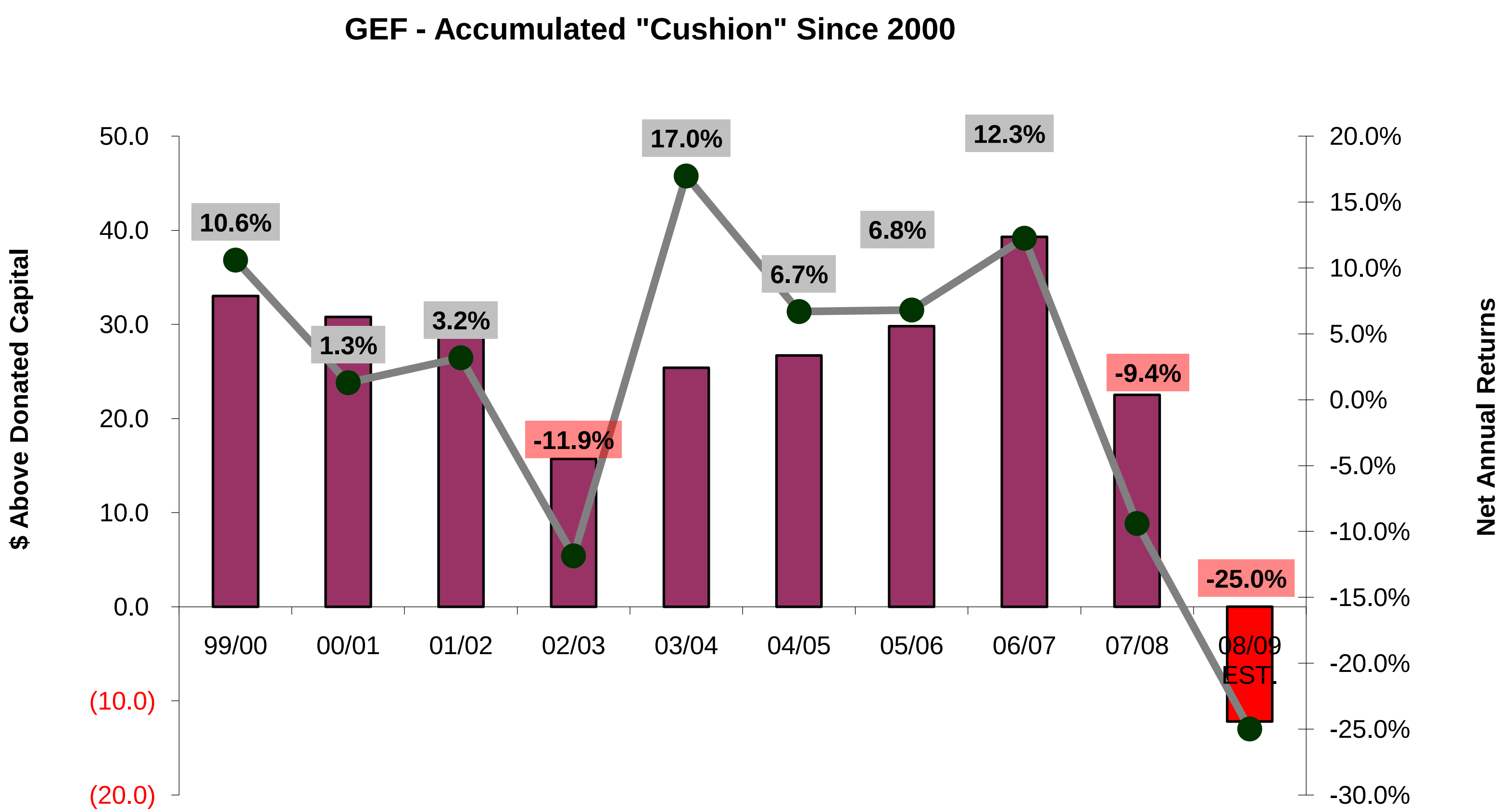


- **All Units have filed initial work plans;**
  - **Confirmed or Identified $29.1M over 4 years**
- **Positions Reductions:**
  - **VERR (staff) - 122 (8.4%)**
  - **Faculty - 68 (7.4%)**
- **Targets implemented in each Budget year:**
  - **Plan "refreshed" in context of an annual approved budget**

Progress to Date: By Unit
Confirmed or Identified Savings/Revenues



Endowments: Overall “underwater”



Total GEF Original Donated Capital = $94 million

Endowment Action: Long and Short Term

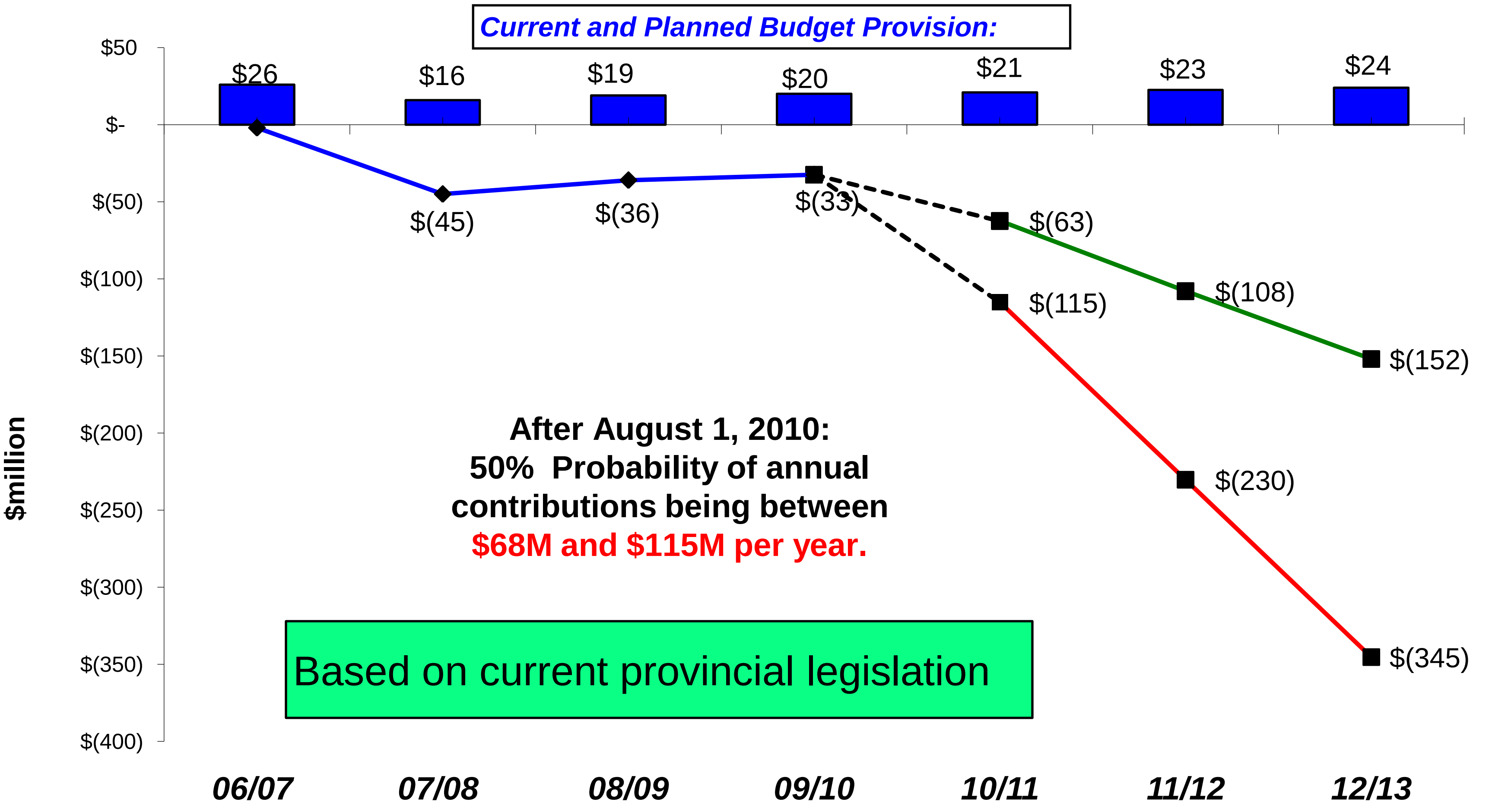
- **Short Term- 2009/2010:**
  - ***Loss of spending ~ 4.5M***
    - ***Exceptions may be required for multi-year awards and certain government awards***
  - ***Donor communications:***
    - ***More "asks" ?***
  - ***" Student Access Guarantee":***
    - ***Will mean Operating Budget cost: $ 1M-$2M***
    - ***For how long?***
- **Long Term- 2009/2010 +**
  - ***Reduce "spending rate"***
    - ***To 3.5% (from 4.5%) of fund balances***

Pension Funding: fiscal (in)solvency

- **Global Markets and liability structures:**
  - **Losses: $165M 20% in past 16 months ($885M to $720M)**
  - **After ~$100M in University contributions over that time**
- **Have until August 1, 2010 until we need to "revalue"**
  - **Will be exposed market values at that time**
- **Province unmoved in lobbying efforts:**
  - **Funding rules – from "wind up" basis and 5 year "amortization" of any deficit**
  - **Proposal to move to some relief: 10 year "amort."(with consent)**
- **"Expert Panel" report: greater requirements for SEPP's***
  - **Our plan design will have greater funding volatility than now**
- **Prepared estimates of the 2010 Valuation using Sept 2007 asset values:**
  - **Result was a range of "probabilities" for University cash requirements**
  - **50% chance of <u>annual</u> contributions between $65M and $115M**
  - **"normal costs" ~$20M**

* SEPP: Single Employer Pension Plans – the University's type

University Pension Deficit After 2010:
Current Valuation plus Modeling Based on Markets



Pension Options: limited in the Short term

- **Major liquidity (cash) issue:**
  - **Will require major borrowing**
  - **Question: can we receive the necessary credit?**
- **Government relief-**
  - **Current pension legislation: exposure to market volatility**
  - **Changes can be made to “soften” the impact of markets**
    - **Now becoming a common response in other provinces/jurisdictions**
- **Negotiations with employee groups:**
  - **Pension benefits (costs) and contribution rates are negotiated**
  - **Plan re-design (longer term impact),**
  - **Cost-sharing (employee contribution rates)**