November 22, 2018

To: All University of Guelph Pension Plan Members
Re: University Pension Plan Update

We want to update you with recent news and information about the ongoing work to create a new jointly sponsored pension plan (JSPP) for the University sector, to be known as the University Pension Plan Ontario (UPP).

Government support of concept

The Government of Ontario and stakeholders at the three universities broadly support the move to a new model and are committed to working together. On Nov. 15, Ontario Finance Minister Victor Fedeli released A Plan for the People: Ontario Economic Outlook and Fiscal Review (the Fall Economic Statement). It contained the following statement regarding a JSPP for the university sector:

“The government is committed to improving the pension system for the university sector. A new JSPP is a means of obtaining efficiencies of scale, improved investment opportunities and savings in plan administration. The new JSPP would allow universities to focus on their core mandate of providing high-quality education for students rather than diverting resources to managing their single-employer pension plans.”

Keeping members informed

The University administrations and the employee groups involved have been working hard to ensure all plan members have the information they need to make an informed decision on the proposal in early 2019.

The university administrations are sending updates to plan members and are holding town hall meetings on their campuses to inform members about the details of the new UPP. If you missed the presentation last week, you can find a recording of it on the UPP website: www.universitypension.ca.

On the same website, you can also find details of the UPP plan design and information on upcoming events. You can also submit questions through the site. If you have not already done so, we encourage you to sign up for regular updates.

You can also send questions directly to upp@uoguelph.ca.
Creating the UPP

The creation of the UPP will involve the merger of the existing pension plans at the University of Toronto, University of Guelph and Queen’s University into a new plan, with all pension amounts earned before the start of the UPP protected. Pension benefits of retired members will not change.

The UPP offers the best approach to protect members’ existing accrued benefits, reduce volatility in contribution levels and create a long-term, financially sustainable defined benefit plan for employees in Ontario’s university sector.

Once created, the UPP will be open to other Ontario universities to join, eventually creating a sector-wide plan and an even larger pool, which will mean better sharing of pension costs and risks.

The need for a jointly sponsored pension plan

In recent years, we have seen the trend away from defined benefit pension plans across the country and across all sectors.

In 2012, the Government of Ontario made it clear that it expects single-employer, public-sector defined benefit pension plans, such as our own, to move to a 50-50 cost-sharing formula for ongoing contributions. Since then, successive provincial finance ministers have reinforced the idea that the government will push for a 50-50 split. In Quebec, the government has introduced legislation to impose a 50-50 split for defined benefit pension plans in the university sector.

At the same time, years of low interest rates, volatile investment markets and rising life expectancy have led to funding shortfalls and climbing contribution rates for university pension plans.

As a result of these developments, traditional defined benefit pension plans face significant sustainability pressures. The status quo for existing university pension plans cannot be sustained over the long term. Some form of change is both necessary and inevitable.

University administrations together with their faculty associations, the United Steelworkers (USW) and representatives of non-unionized employees believe that the UPP is the best way to protect plan members’ existing accrued benefits while ensuring the survival and long-term sustainability of a defined benefit plan in a world with fewer such plans.

What jointly sponsored pension plans offer

Jointly sponsored pension plans are recognized globally as a proven model that can generate higher returns and more stable investment opportunities by pooling funds across a larger membership base. JSPPs mean greater transparency into plan operations, funding and decision-making through joint governance and open information-sharing. This has come to be known as the “Canadian Model,” and research has shown that it has led to efficiency and success through an alignment around the shared interest of serving plan beneficiaries.

This approach is fast becoming the model for providing defined benefit plans into the future. Notably, it is a tried and tested model in Ontario, the same one used by other defined benefit pension plans such as the Ontario Teachers’ Pension Plan, OMERS (municipal employees) and CAAT (colleges). These are some of the largest and most financially successful pensions in Canada.

If you have questions, please get in touch with us at the UPP website – www.universitypension.ca – or by email at upp@uoguelph.ca.