This document introduces some of the key issues driving current discussions about the U of G pension plan and why a jointly sponsored pension plan (JSPP) option is being explored

For more information on the U of G pension plan – see the links at the end of this document

UNIVERSITY PENSION PLAN

PENSIONS

PSA MEMBERS | UPDATE: MAY 2017

UNIVERSITY of GUELPH

PSA

CURRENT STATUS OF U OF G PENSION PLAN

The U of G pension plan is a defined benefit plan. Under this type of plan, the amount of pension you receive at retirement is defined by a formula based on earnings and service. Pensions are paid from the pension fund, which is made up of employer and employee contributions, and investment earnings on these contributions. Employee contributions are based on an earnings-related calculation, whereas employers contribute whatever is required to meet Ontario's funding rules.

TWO SIDES OF PENSION PLANS

ASSETS IN PENSION FUND
Contributions and investment earnings

LIABILITIES
Cost of pension owed to active, inactive and retired members

THE GOAL IS TO BE IN BALANCE

GOING CONCERN DEFICIT

which assumes the plan will continue to operate as expected for many years to come

SOLVENCY DEFICIT

which assumes the plan ends on the date of the valuation, and is designed to protect plan members in the case of employer discontinuance

HOW WE GOT HERE

Four factors contributing to the plan's current funding challenges are:

1. improvements in life expectancy, which translate into longer pension payouts (and costlier pensions)
2. pension contribution holidays taken between 1998-2001, required by the federal legislation
3. lower and more volatile investment returns on plan assets
4. low and unpredictable long-term interest rates

These challenges are compounded by current provincial funding requirements, which determine how the financial health of the plan is measured and what additional contributions must be made in the event of a shortfall (either going concern or solvency).

We know that managing the cost of funding and maintaining defined benefit pension plans in the university sector has been on the provincial government's agenda since 2010. The province wants equal sharing of pension costs between employers and employees—which naturally leads to equal participation in plan governance. It also supports the consolidation of plans to achieve efficiencies of scale.

JOINTLY SPONSORED PENSION PLAN OPTIONS

JSPPs aren't new. Ontario's JSPPs currently include six of the largest pension plans in the province, such as the Ontario Teachers' Pension Plan (OTPP), the Ontario Municipal Employees Retirement System (OMERS) and the Healthcare of Ontario Pension Plan (HOOPP). These plans have a long history, and are internationally respected for their ability to provide secure, high-quality pensions. They are also exempt from solvency funding, with employers and employees sharing in both costs and governance.

The provincial government has issued draft regulations governing the conversion of existing defined benefit pension plans to JSPPs.

Like the current U of G plan, JSPPs can provide defined benefit pensions. This means that pension amounts are pre-defined based on a formula that uses earnings and service. However, whereas the university is responsible for governing the U of G plan and ensuring it meets provincial funding requirements, employers and employees in a JSPP are jointly responsible for plan governance and plan costs.

Tri-university option

Ministry of Finance officials have consistently advised that the government will consider granting solvency exemptions only to JSPPs that include more than one employer. To achieve exemption from solvency funding and the administrative economies of scale desired by the province, the U of G has partnered with Queen's University and the University of Toronto to explore a tri-university JSPP option. The goal is to model the pension provided by the new plan as closely as possible to the current U of G plan, provide a comparable pension plan, have the plan be sustainable and resolve the current challenge with the solvency deficit.

Currently, representatives from the University Administrations, the various unions represented on each campus and OANUE (representing non-unionized employees at the three Universities) are engaged in discussions to achieve consensus on the detailed design of the plan and the governance structure that would oversee it.

HOW A NEW JSPP COULD WORK

One of the underlying principles is that each university would be responsible for funding its current deficit, ie. make whole, at the time of conversion to the new plan. With these deficit payments, the JSPP would be fully funded on a going-concern basis at inception. Future gains and losses would be managed jointly by a sponsor board, with equal representation by employers and employees.

All pensions already earned would be guaranteed and fully transferred to the new plan with no change. Retirees would continue to receive their pensions as usual.

The decision to convert to the new plan will require a formal consent process and ratification by all parties, active, inactive, and retired members and beneficiaries.

LINKS

U OF G RETIREMENT PENSION PORTAL
https://www.uoguelph.ca/hr/news-item/new-my-retirement-pension-portal-and-e-pay-statement-portal

U OF G PENSION PLANS
https://www.uoguelph.ca/hr/staff-faculty/pension-plans

SPECIFICS ON THE PROFESSIONAL PENSION PLAN
https://www.uoguelph.ca/hr/staff-faculty-pensions/professional-pension-plan

This update describes the U of G pension plan in general terms. If there are any errors or difference between the information provided and the plan document, the plan document will apply.