

## Summary of Key Features of the Proposed UPP

The **Milestones and Key Terms Summary Agreement** (“Agreement”) is an agreement between the University of Guelph, Queen’s University and University of Toronto and their faculty associations, and the USW, and agreed to by an association of non-represented employees, to establish a jointly sponsored pension plan.

The Agreement sets out the history and context of the proposed University Pension Plan Ontario (“UPP”), the necessary steps to establish the UPP, the fixed and agreed key design terms of the UPP, and incorporates the background documents from which all agreed terms were derived.

This document describes the key features of the UPP. The UPP will only become effective if at least two-thirds of members consent, no more than one-third of former members, retired members and other persons entitled to benefits under the existing plans object and the necessary regulatory approvals are obtained. The consent process will be specific to each of the existing university pension plans. Information on the consent process is described at [www.universitypension.ca](http://www.universitypension.ca).

The UPP will be a defined benefit plan, which means the pension will be based on a member’s Best Average Earnings and the number of years of credited service earned after joining the UPP.

### Joint Governance

The UPP will be overseen by two related entities:

- **The UPP Joint Sponsors**, which will set benefits, contributions and overall policies for the UPP. The Joint Sponsors will have equal representation of the participating universities on the one hand, and the faculty associations and unions representing UPP members on the other hand.
- **The UPP Board of Trustees** will be responsible for making decisions about the day-to-day administration of the UPP. The Board of Trustees will be appointed by the Joint Sponsors and have representatives of the participating universities, the faculty associations and unions representing UPP members, and one additional representative of members who are not represented by a collective bargaining agent.

### Pension Earned Before the UPP

Pension benefits earned under existing university pension plans will be preserved. This summary is about pension benefits to be earned for credited service after joining the UPP.

## Benefit Formula

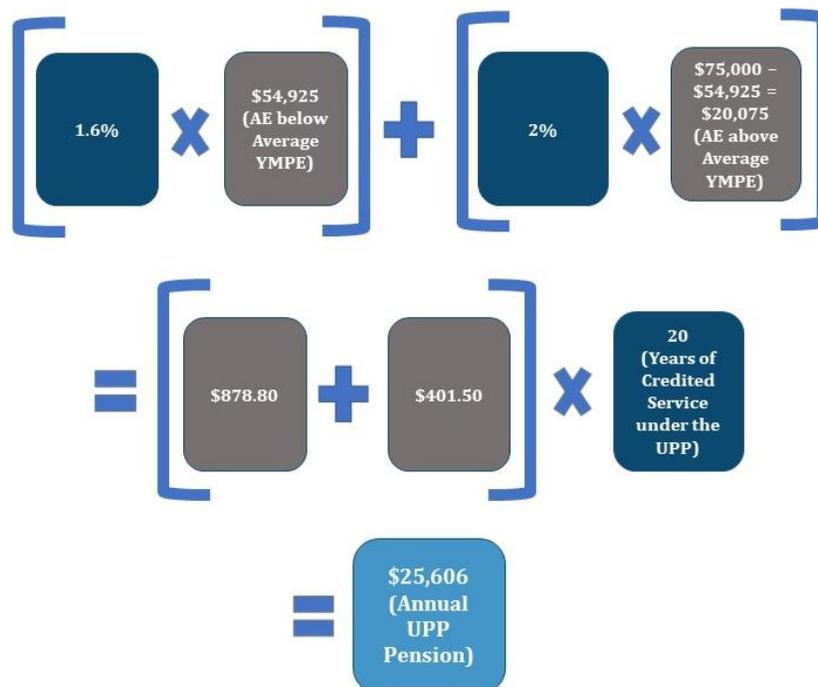
The UPP pension for credited service earned after joining the UPP will be based on the following formula:

- 1.6% of Average Earnings *below* the Average YMPE, multiplied by credited service**  
**plus**  
**2.0% of Average Earnings *above* the Average YMPE, multiplied by credited service.**

**Average Earnings** will be based on average earnings during the best 48 months of eligible employment.

**Average YMPE** will be based on the average Year's Maximum Pensionable Earnings ("YMPE") for the last 48 months of eligible employment (for reference, the YMPE for 2018 is \$55,900).

**Example:** Member "A" has Average Earnings in the last 48 months of eligible employment of \$75,000, and 20 years of credited service earned after joining the UPP; the 48-month average YMPE is \$54,925:



As with all registered pension plans, the UPP pension benefit will be subject to the maximum pension limits under the *Income Tax Act*.



### Retirement Dates and Eligibility for Unreduced Pension

**Normal Retirement Date** – the normal date upon which a member may retire with an unreduced pension under the UPP will be age 65.

**Early Retirement Date** – a member will be able to retire from the UPP after reaching age 55. If the member does not meet the eligibility requirements for an unreduced pension, the pension will be reduced by 5% for each year between the pension start date and Normal Retirement Date.

**Early Unreduced Retirement Date (EURD)** – a member will be able to retire early with an unreduced pension under the UPP upon reaching age 62, provided that the sum of the member's age plus years of continuous service (including service under a predecessor pension plan) equals 80 or more.

### Grandparenting of Early Unreduced Retirement

The current plans have many different EURDs for different groups, which are being harmonized under the UPP for UPP service.

The Early Unreduced Retirement provisions of your current pension plan will be applied to benefits you earned up until the effective date of the UPP, and the provisions of the UPP as described above will be applied to any benefits you earned under the UPP. However, for current members of the University of Toronto and University of Guelph pension plans, if you are age 52 or older on the date the UPP starts and your current EURD is better than the new UPP EURD, then your current EURD will apply to your entire pension.

The current Queen's University plan does not provide for an early unreduced pension under the defined benefit minimum guarantee before Normal Retirement Date.

### Form of Pension

The normal form of pension for a member without a spouse on the date of a retirement is a pension for that member's lifetime, guaranteed for 10 years from the date it begins.

The normal form of pension for a member with a qualifying spouse on the date of retirement is a 50% joint and survivor pension. This means that upon the death of a member, a 50% joint and survivor pension will be paid to an eligible spouse at no cost.

The *Pension Benefits Act* requires that a 60% joint and survivor pension be provided. This, along with other optional forms of pension, will also be available for an actuarial cost under the UPP.



### **Indexing**

Indexation on pension benefits for UPP credited service will be funded conditional indexation equal to 75% of the annual increase in the Consumer Price Index (CPI). "Funded Conditional Indexation" means that the contribution rates have been set to fund indexation at 75% of the increase in CPI ("75% of CPI"), so if the actual financial and demographic experience of the UPP matches the assumptions underlying the contribution rates, then the indexation will be granted. To the extent that the actual experience turns out to be less favourable than the assumptions, the indexation can be reduced below 75% of CPI, in accordance with the funding policy set by the Joint Sponsors. Indexing on pension benefits for UPP credited service is guaranteed to be paid at 75% of CPI for the first 7 years.

### **Contribution Rates**

Subject to certain transitional measures for UPP members, current service contributions at inception for both employers and UPP members will be 9.1%/11.3% of pensionable salary below and above the YMPE.

*This summary is intended to help explain the provisions of the UPP applicable to credited service after joining the UPP, but should not be considered an official UPP plan document. In the event of any inconsistency between this summary and the Agreement, or this summary and the official UPP plan documents, the Agreement or official UPP plan documents, as the case may be, will govern.*