

A NEW PATH FOR ONTARIO UNIVERSITY PENSIONS

University administrations, faculty associations, unions and other staff groups at University of Toronto, University of Guelph and Queen's University have been working diligently to develop a new pension plan that would cover employees at all three universities. Once it is up and running, it will be available to other Ontario universities as well. This new pension plan, which would be a multi-employer jointly sponsored pension plan (JSPP), is a type of defined benefit (DB) plan, and it represents a unique opportunity to reshape and sustain the retirement income system in the Ontario university sector.

The current phase of this initiative kicked off last August with an agreement among the administrations, Steelworkers locals, faculty associations and non-represented employees at the University of Toronto, Queen's University, and the University of Guelph.

The goal is to develop a sector-wide plan – *one that's open to any other Ontario university*. A sector-wide, multi-employer JSPP would create a significant pool for sharing pension costs and risks.

WHAT IS A MULTI-EMPLOYER JSPP?

A multi-employer JSPP is a contributory DB pension plan in which the employers and pension plan members share responsibility for the plan's governance and funding. The proposed Ontario university sector JSPP would be jointly sponsored and governed by the participating universities and their plan members.

A key differentiator of the multi-employer JSPP model is its structure. Unlike the current university pension plans – in which a single employer bears the full risks and costs of funding shortfalls, and members have little or no say in plan decisions – in a multi-employer JSPP, plan governance, costs and risks are shared equally between employers and members.

ADVANTAGES OF THE JSPP MODEL

Jointly sponsored pension plans are an Ontario-developed innovation. These plans are both successful and sustainable. JSPPs like the Ontario Teachers' Pension Plan (Teachers'), Ontario Municipal Employees' Retirement System (OMERS), Healthcare of Ontario Pension Plan (HOOPP) and OPSEU Pension Trust (OPTrust) have gained worldwide acclaim for their strong plan governance, administrative effectiveness, and superior investment performance.

Moving to a JSPP model not only addresses many of the major challenges faced by university pension plans today, but it also offers many advantages, including the following:

- **Joint governance**, where university administrations, and the unions and faculty associations that represent plan members, have an equal say in plan design, funding, and administration.
- **Greater transparency** into plan operations, funding, and decision-making through joint governance and open information-sharing.

- **Clear and explicit sharing of risk** between employers and plan members.
- **More stable and predictable contributions** from employers and members.
- **Relief from some of the financial pressures** on universities caused by Ontario's current funding rules.
- **Efficiencies and economies of scale.** A much larger plan means greater efficiency in plan administration and access to higher-return investment opportunities, which will help address any increasing costs.

It's important to understand that *there would be no negative impact on the monthly pensions of retirees already drawing pensions on the date of changeover to a JSPP. There would also be no negative impact on pension benefits earned by employees for service before the new plan's inception date.*

WHY ARE WE MOVING IN THIS DIRECTION?

In the current environment, pension plans in the university sector are vulnerable to financial and political pressures, some of which are outside the control of any individual university.

Decline of DB plans – DB pension coverage has declined sharply in the private sector due to rising costs and risks. For the same reasons, traditional single-employer DB plans in the public sector are being closely scrutinized.

Demographic and market forces – Pension plans grow through a combination of employer/employee contributions and investment returns. Years of lower interest rates and volatile investment markets have created challenges for many Ontario DB plans, particularly as member longevity continues to rise. It has become much more difficult for single-employer university plans to reliably earn the investment returns needed to pay the increased costs.

Legislative and regulatory pressures – Ontario's funding rules for single-employer DB plans are onerous for universities, because these rules make universities subject to most of the same obligations as businesses that are vulnerable to bankruptcy and plan termination. The financial stress that legislative and regulatory requirements have placed on university pension plans has sometimes led to budget cuts, with a negative impact on academic programs and all forms of university employment.

For several years now, the Ontario government has encouraged universities and staff groups to consider establishing a JSPP as a long-term pension solution for the sector. Adopting this model now will give us more control over the direction and outcomes of our pensions in the future.

THREE IMPORTANT REASONS TO MOVE TO A JSPP

1. Protect DB pensions, which provide secure and predictable retirement income.
2. Establish a more stable funding regime.
3. Give plan members an equal voice in plan management.

NEXT STEPS

Moving to a JSPP provides an opportunity to maintain sustainable pensions for the Ontario university sector. But the new JSPP, including conversion of the existing plans, requires a formal consent process (as set out in the provincial regulations). We will provide more details on the process in upcoming communications.

Communication and collaboration, including open and transparent dialogue with all stakeholders, are critical to the initiative's success. This update is the first in a series of joint communications, supplemented by information provided directly by the various stakeholders to their constituents.

We encourage you to read all materials provided and actively participate in the ongoing discussions. For more information or to ask questions, please visit the JSPP website at www.universitypension.ca.