

Queen's University

Presentation for Retirees

On the University Pension Plan (UPP)

This is a presentation prepared by Queen's University for its employees and retirees and is based on the Revised Pension Plan of Queen's University only. This presentation is not applicable to employees at any other University or participating in another university's pension plan. This presentation is for general information only and is not legal advice and in the case of any conflict between this presentation and the notices required under the PBA for consent to transition to the UPP, or the definitive documents created by the UPP, the notices and definitive documents will prevail. These slides are part of a Queen's University presentation and are incomplete without accompanying oral commentary.

Agenda

Introductions

Presentation

- Why A Jointly Sponsored Pension Plan?
- University Pension Plan Details
- Governance and Transparency
- Members' Consent
- Questions

What is a Jointly Sponsored Pension Plan (JSPP)?

- A JSPP is a pension plan that offers defined benefits and is jointly sponsored, governed, and funded by the employers and plan members.
- A member's retirement benefit under a JSPP is based on a pre-set formula, typically with reference to years of pensionable service and earnings.
- There are several large Ontario pension plans which are JSPPs, including:
 - Ontario Teachers' Pension Plan;
 - OPSEU Pension Plan (public service);
 - HOOPP (healthcare); and,
 - OMERS (municipal).
- These plans have a long history and are internationally respected for their ability to provide secure pensions.

Why A Jointly Sponsored Pension Plan?

Why change to a JSPP?

- Traditional pension plans face significant sustainability pressures that highlight the need for a new model to provide pensions for the future.
- Here's why:
 - Years of low interest rates, volatile investment markets and rising life expectancy have led to funding shortfalls and climbing contribution rates for most traditional pension plans;
 - Ontario's pension funding rules are a significant financial burden for universities, and are designed for single employer plans that are vulnerable to bankruptcy and plan wind-up;
 - In the private sector, defined benefit coverage has significantly declined creating a "pension gap" between the public and private sectors;
 - In the public sector, direction is away from the model under which employer bears all the risk;
 - Ontario Government and stakeholders at the three universities broadly support the move to a new model and are committed to working together;
 - Goal is a sector-wide plan – one that is open to any other Ontario university consistent with the general trend of plan consolidation.

What are the advantages of the University Pension Plan (UPP)?

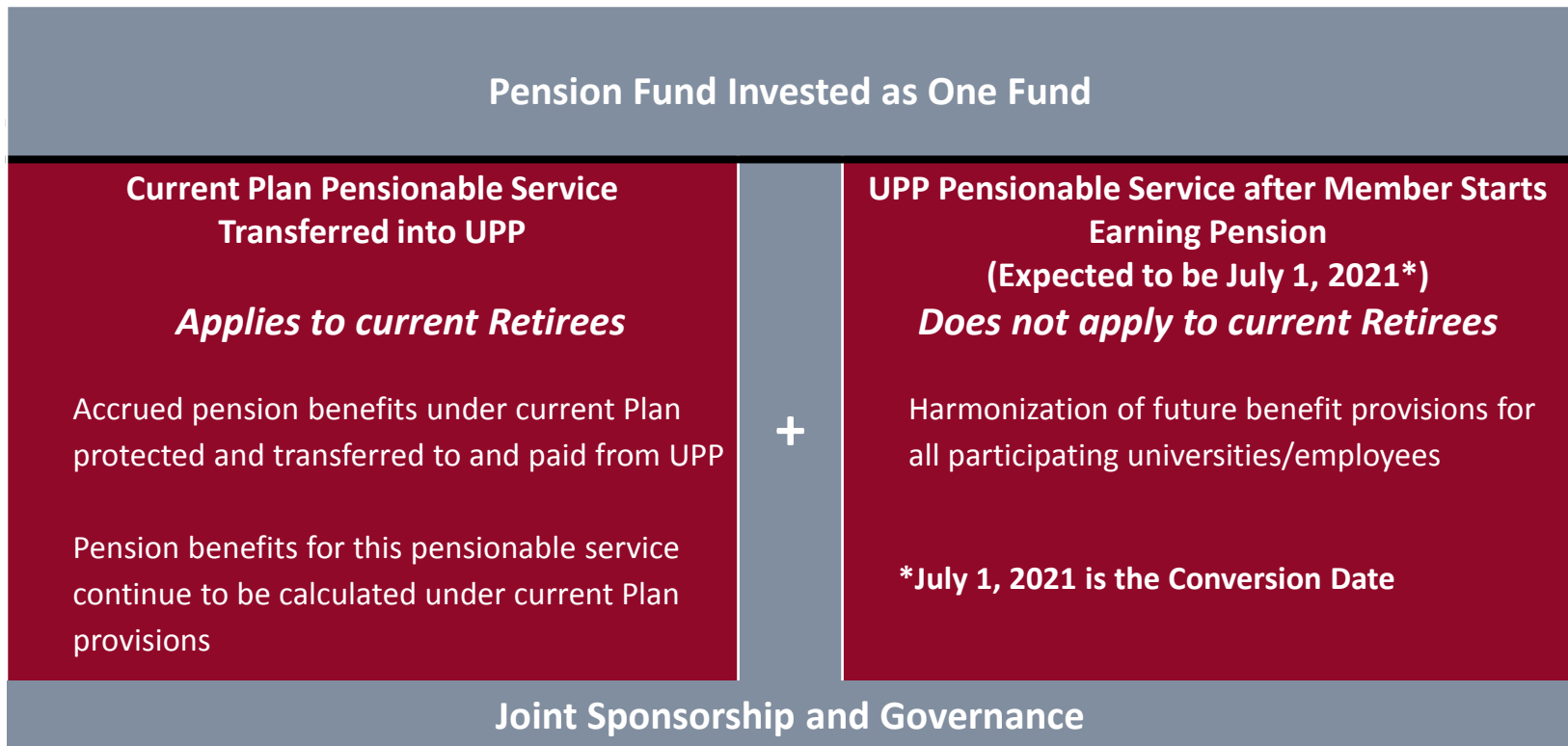
- The UPP offers the following key advantages:
 - Protection of defined benefit pensions under a new model for the sector;
 - Joint governance, where university administrations, and employee groups have an equal say in plan design, funding and administration;
 - Greater transparency into plan operations, 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 plan members;
 - Relief from some of the financial pressures on universities caused by Ontario's current pension 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, in turn, will help address increasing costs.

Which universities and employee groups would be eligible to join the UPP?

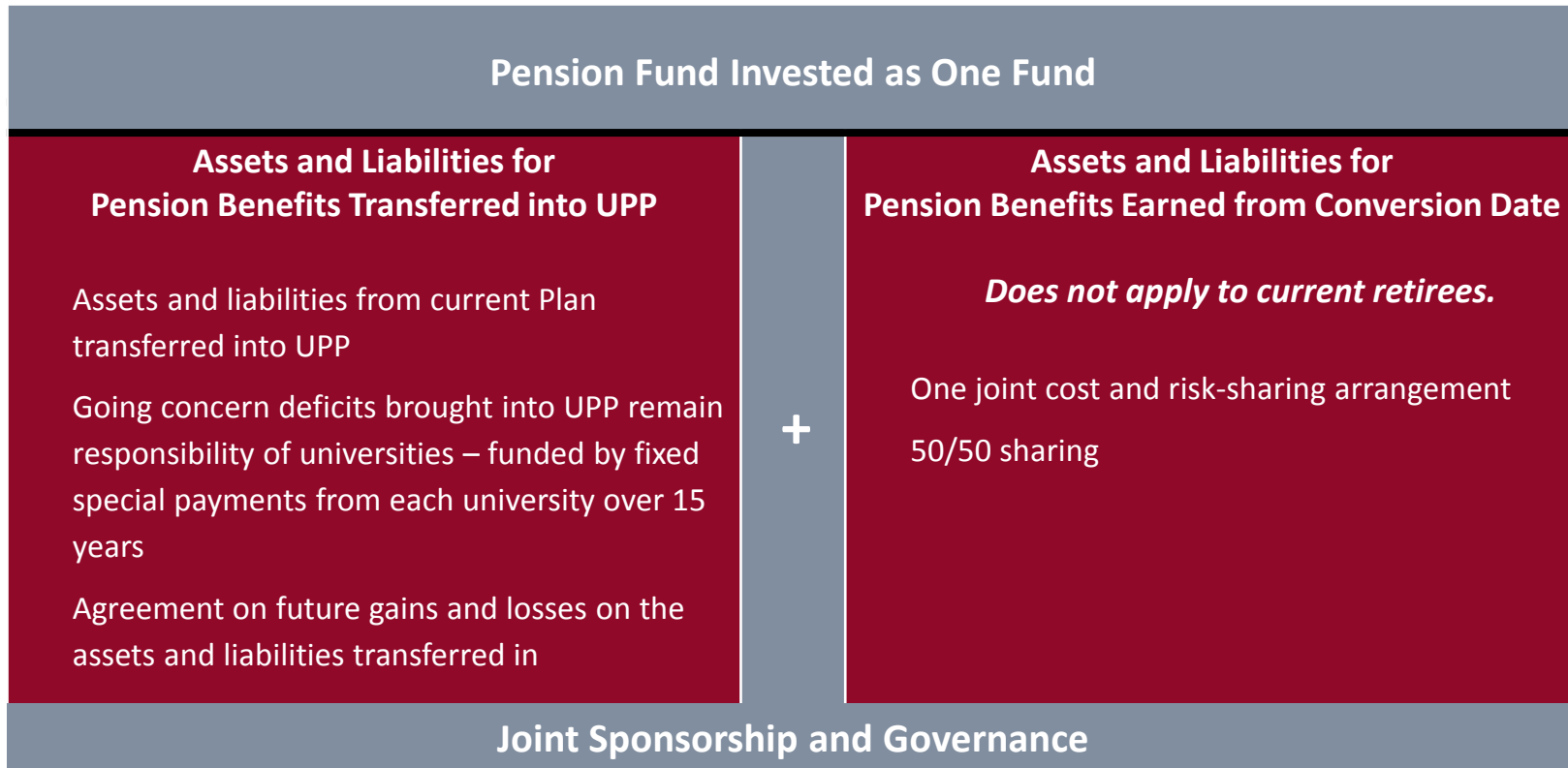
- Currently, Queen's University, the University of Guelph, the University of Toronto, the faculty associations, USW, and other staff groups, including representatives of non-unionized employees at those universities are working together toward being the first participants in the UPP;
- Other unions representing employees at the three universities are currently considering their participation;
- Once operating, the UPP would be open to other universities and employee groups as well;
- Employees of Queen's University must be a member of the Revised Pension Plan of Queen's University ("Plan") or eligible to become a member in order to be a member of the UPP

University Pension Plan (UPP) Details

How do the current Plan and UPP fit together?



How do the current Plan and UPP fit together?



How will indexation of current retirees' pensions be determined?

Current indexation provisions for retirees will continue under the UPP:

- Money Purchase Benefit – indexation based on the excess of average of pension fund investment return over 6% (4-year or 6-year average depending on year of retirement)
- Minimum Guarantee Benefit -- portion of any Minimum Guaranteed Benefit Supplement in respect of pensionable service to August 31, 2012 also indexed as above; no indexation for portion for pensionable service from September 1, 2012

Once assets from QPP are transferred to the UPP, investment return on the UPP pension fund will be used in the calculation; for a period of time after the transfer, the average will use a combination of investment returns under both the QPP and UPP pension funds

How will indexation of current retirees' pensions be determined?

For investment management purposes:

- There will be no separation of the assets transferred in from the QPP from the assets transferred in from the other university pension plans
- There will be no separation of the assets transferred into the UPP for past service benefits from the assets in the UPP arising from future service benefits

Can I start my pension after age 65 while working?

- The QPP currently allows members to cease accrual, commence their pension and remain employed on and after Normal Retirement Date.
- If prior to the date on which service begins to accrue in the UPP a member has already elected to cease accrual and commence their pension from the QPP they will be treated as a retired member under the UPP and will continue to receive their pension.
- If prior to the date on which service begins to accrue in the UPP a member has already elected to cease accrual and is entitled to a deferred pension from the QPP they will be treated as a former member under the UPP and will be entitled to commence their pension.
- A member of the QPP will be eligible to continue to have the option to cease accrual and commence a pension under the UPP while remaining employed (for both QPP and UPP service) if he/she attains Normal Retirement Date prior to July 1, 2021.
- A member who attains Normal Retirement Date after the date on which service begins to accrue in the UPP will only be entitled to commence receipt of their pension after termination of their employment or at December 1st of the year the member attains age 71, if earlier.

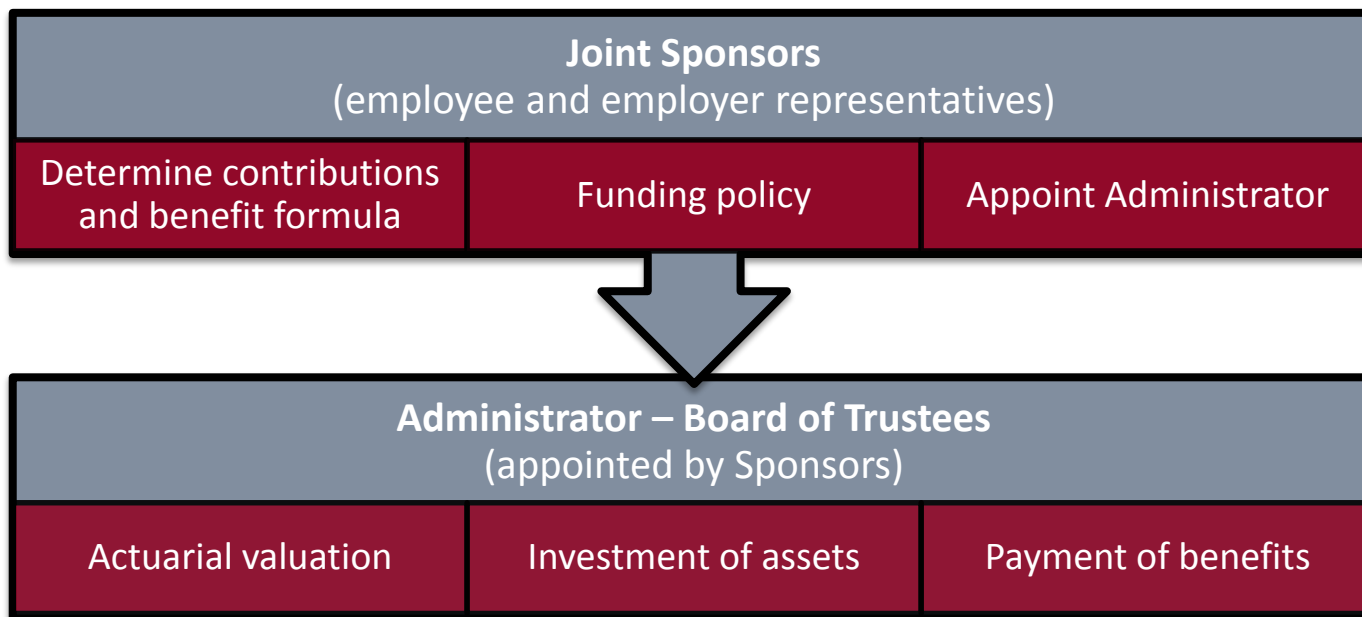
What else do I need to know?

- Current Plan is covered under the Pension Benefits Guarantee Fund (PBGF):
 - For pension benefits up to \$1,500 per month, PBGF would cover any unfunded portion on Plan wind-up.
 - Universities pay significant premiums to the PBGF; premiums unrelated to risk of employer insolvency.
- JSPPs are not covered under the PBGF:
 - Multi-employer JSPPs like the UPP would not be wound-up if one of the participating employers became insolvent; accrued benefits would continue to be paid by JSPP;
 - JSPP could not be wound-up unless employee and employer sponsors agree;
 - Accrued benefits can only be reduced under a JSPP in the event of full wind-up of the JSPP where there are not sufficient assets;
 - However, universities remain responsible to fund accrued benefits transferred into the UPP in the event of a future windup of the UPP.

Governance and Transparency

How will the plan be governed?

UPP will be a “two” Sponsor model – employers are one Sponsor and employees are the other Sponsor.



How will the plan be governed?

The UPP Joint Sponsors:

- Set benefits, contributions and funding policies for the UPP;
- Have equal representation of the participating universities on one hand, and the faculty associations and unions representing UPP members on the other hand;
- Responsible for appointing Administrator (Board of Trustees);
- Representatives of the non-unionized employees will have access to information from the Sponsors and will meet with the Sponsors annually.

How will the plan be governed?

The UPP Board of Trustees:

- Legal Administrator of the UPP responsible for making decisions about administration (including the preparation of actuarial valuations, ensuring compliance with all applicable laws, investment of the UPP assets, and payment of pension benefits to members);
- Will consist of 6 Board members appointed by the universities; 6 Board members appointed by the faculty associations and unions; and 1 Board member appointed by the non-unionized employees (without a tie breaking vote);
- Independent Chair of the Board of Trustees to be appointed jointly by the Sponsors (first seven years);
- 14 Board members in total (first seven years);
- Board of Trustees anticipated to be recruited and in place by January 1, 2020, together with the Sponsors, in order to ensure UPP is ready to accept contributions, assets and start pension accrual, effective July 1, 2021.

Members' Consent

Do I have any say in this?

- In order for the proposed conversion to the UPP to proceed, there is a regulatory process. Under the Pension Benefits Act process:
 - All members, unions, retired members and former members must receive detailed notification of the proposed conversion to the UPP;
 - This notice will come to you from the University, as the current legal Administrator of the Plan;
- The required content of the notices includes:
 - The information about the benefits provided under your current Plan;
 - Actuarial information about your current Plan;
 - Information about the benefits to be provided under the JSPP; and,
 - The nature of a JSPP.
- The notices must also contain personal data and calculations concerning the member's accrued pension under your current Plan, and the member's accrued pension after joining the proposed JSPP.
- The data and calculations must be "fresh" in the notices – which means that the information on which they are based cannot be older than 6 months.

Do I have any say in this?

In addition to the notices, there is also a statutory consent/objection process required by the Pension Benefits Act:

- **At least 2/3 (two-thirds)** of all the active members of the current Plan give their consent; and,
- **No more than 1/3 (one-third)** of the retired members, former members and other persons entitled to benefits under the current Plan (inactive members), as a group, object;
- Conversion also requires the prior approval of the Superintendent of Financial Services (the “Superintendent”).

Do I have any say in this?

Unionized Members

- **For unionized members of the Plan:**
 - Your union must determine whether to consent on your behalf;
 - If your union consents on your behalf, you are deemed to consent;
 - If your union does not consent, you are deemed not to consent to the conversion;
 - Faculty and USW will be seeking ratification of members in late January/early February.

Do I have any say in this?

Retired and Former Members

- **For retired and former members of the Plan:**
 - Even if you were unionized when you were employed at the University, that union will not consent on your behalf;
 - You will have an individual right to object to the conversion;
 - If no more than 1/3 of the retired members, former members and other persons entitled to benefits from the current Plan object, the inactive member threshold will be met and conversion can go ahead (subject to the active member consent threshold).

Do I have any say in this?

Non-Unionized Members

- **For non-unionized members of the Plan:**
 - If you are non-unionized, you will have an individual right to consent to the conversion;
 - Your consent will be added to all of the deemed consents by unionized members to determine the total;
 - If 2/3 or more of the active members of the current Plan consent (or are deemed to consent in the case of unionized members), the active members consent threshold will be met and all members of the Plan are deemed to have consented to the conversion;
 - As long as the inactive member objection threshold is met.

How will the new plan be approved?

- If both active member and inactive member consent thresholds are met then next step is to apply to the Superintendent for approval. It is anticipated that the application will be submitted by December 31, 2019.
- The approval process is lengthy and detailed. In order for Superintendent to grant approval the university must demonstrate a number of criteria, including that:
 - the required notices provided to members are accurate and complete;
 - the commuted value of pension benefits provided under the UPP for the transferred members is not less than the commuted value of pension benefits under the current Plan;
 - every transferred member is entitled to credit in the UPP for their membership in current Plan for purpose of determining eligibility for membership in and entitlement to benefits under the UPP; and
 - pension benefits provided under the UPP for inactive members are, at a minimum, the same as pension benefits provided under current Plan.

What is the timing of all of this?

- Faculty Association/USW ratification January / February 2019
- Notices out March 2019.
- Consent by June 2019.
- New JSPP registered January 1, 2020.
- Contributions to and benefit payments from the UPP would only start after regulatory approval for transfer of existing Plan assets to JSPP, anticipated to be July 1, 2021.

Where can I get more information?

- Information about the proposed pension plan is available on the UPP website at www.universitypension.ca, where you can sign up to receive updates and submit questions.
- A version of this townhall presentation is posted on the UPP website.

Questions?

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Is the commuted value option available on retirement?

- Current plan provides commuted value option after eligibility for early retirement.
- CV option is available up to age 71 currently. Under UPP will only be available up to 55.
- UPP will not provide commuted value option after eligibility for early retirement.
- Transition for members transferred to UPP:
 - For first 3 years from date of transfer to UPP
 - Current plan provision will continue to apply to combined benefit from service before and after joining UPP.
- After 3 years but before 10 years from date of transfer to UPP:
 - Current plan provision will continue to apply to pension benefit for service transferred into UPP; commuted value option not available on pension benefit earned for service under UPP.
- After 10 years from date of transfer to UPP:
 - No commuted value option after eligibility for early retirement.

Is the commuted value option available on retirement?

First 3 years	Years 4-10	Years 10+
Current Plan provision will continue to apply to combined benefit from service before and after joining UPP.	Current Plan provision will continue to apply to pension benefit for service transferred into UPP; commuted value option not available on pension benefit earned for service under UPP.	No commuted value option after eligibility for early retirement.