UNITED STEELWORKERS

USW

LOCAL 4120

University Pension Plan (UPP) Information Package Contents:

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Dear member of USW Local 4120,

This package includes important material regarding our Local's upcoming vote on the conversion of our current single-employer University of Guelph Retirement Pension Plan to the new University Pension Plan (UPP).

Our vote will take place on February 12th from 7 a.m. to 7 p.m., in the following locations:

7 a.m. to 11 a.m.	USW4120 office, 21 College Avenue West
11:30 a.m. to 1:30 p.m.	University Centre Courtyard
2 p.m. to 3:30 p.m.	Lab Services Lobby
4 p.m. to 7 p.m.	USW4120 office, 21 College Avenue West

All you need to cast your ballot is your Union card or photo identification.

If you are not able to attend one of the voting stations on February 12th, as detailed above, you can request a mail-in / early voting ballot by:

1) Calling the office at 519-766-4120 and arranging to visit to pick up a ballot, ***and***
    a. Casting your ballot, ***or***
    b. Taking your ballot and mailing your completed ballot
2) Emailing **admin@usw4120.ca** requesting a ballot be mailed to you, ***and***
    a. Dropping your completed ballot at the USW4120 office
    b. Mailing your completed ballot

If you request a mail-in ballot, please bear in mind that it must be returned to USW Local 4120 office by no later than 4 p.m. on February 13, 2019.

The Local 4120 Executive has passed a resolution of unanimous support for the UPP and recommends that Local 4120 members vote *YES*.

As you know, concerns about our current pension Plan have been longstanding.

The 2008 financial crisis took a major toll on single-employer pension plans across Canada. Ongoing investment volatility, as well as increasing costs, have been a cause of growing concern for over a decade.

At the same time, defined benefit pensions in the private sector are increasingly being replaced by inferior defined contribution plans.

This puts pressure on single-employer defined benefit plans in the public sector, like ours at the University of Guelph. This growing "pension gap" between the private and public sectors places plans like ours under increasing focus by governments and outside actors, such as certain think-tanks, as targets for cost-cutting or unilaterally imposed structural changes.

As well, pension plan shortfalls and onerous provincial funding rules for Ontario universities have resulted in sometimes severe effects on university budgets, with real impact on staff salaries and job security.

Successive governments have made it clear that the current funding model for single-employer pension plans like our current Plan is unlikely to be sustained in the broader public sector.

In other public-sector pensions across Canada, governments have legislated negative changes such as unilateral limits on plan provisions, limits on contributions, forced conversion to joint sponsorship with government-imposed terms, and in some cases fundamental changes to the very promise of defined pensions.

The UPP is an opportunity for us to get ahead of these pressures for negative change.

USW Local 4120 has played an important leadership role in this process. Our Local was the first to propose moving to the JSPP model.

As a multi-employer, defined benefit jointly sponsored pension plan (JSPP), the UPP's important structural differences mean that it is more resilient, more sustainable, and the better path forward for sustaining defined benefit pensions at the University of Guelph, and indeed in the entire Ontario university sector.

The UPP is structured to be a JSPP, established by conversion of the current pension plans at the University of Guelph, the University of Toronto and Queen's University. The UPP is designed to grow, so it is reasonable to expect the participation of other Ontario universities and employee bargaining agents soon after its inception.

As a defined benefit pension plan, the UPP would provide a **defined, guaranteed pension determined by a formula based on your earnings and your years of service in the Plan**. The pension will be paid for your lifetime, and will add together your benefits earned under our current University of Guelph Plan with benefits earned under the new UPP. All benefits earned, both from all of your accrued service in the current Plan and all of your accrued service in the UPP, are ***defined, guaranteed and unchangeable***.

The UPP's provisions are closely modelled on our current University of Guelph Retirement Pension Plan:

- The UPP benefit formula has the same strong accrual rates as our current Plan.

- The UPP provides superior inflation protection (indexing) as compared to our current Plan.

- The UPP maintains the right of members to retire early on an unreduced pension, though with slight changes.

- To create a more affordable Plan, the UPP uses 48-month averaging, which means that the best four years of your salary are averaged, but those months can be non-consecutive. We currently have 36-month averaging, with a requirement that the years be consecutive. Other JSPPs, such as the Teachers' Plan, uses 60-month averaging.

- UPP contributions are higher; but our contributions are offset by a new agreement we have reached with the University to increase staff salaries, in addition to the increases already guaranteed in our current Collective Agreement.

- The UPP's joint governance structure means that if a surplus occurs, the two sides of the UPP Sponsor Board (employee and employer) will decide how to use surplus funds. That could mean improvements; but, unilateral pension contribution holidays for the University will be a thing of the regrettable past. No responsible sponsor board would permit them.

- If a deficit occurs, the two sides of the Sponsor Board will have to agree on how to address it. In the UPP model, that could mean temporarily lowering the index rate on a go-forward basis, or temporarily increasing contributions. Earned service (including earned indexing against inflation) cannot be changed.

The UPP is the product of vigorous negotiations by USW Local 4120, other USW locals, other unions and the faculty associations, with the administrations of the University of Toronto, the University of Guelph and Queen's University. Our goals in those negotiations were to achieve a sustainable defined benefit pension plan that would provide strong, dependable retirement income for our members, create a financial buffer, and hold each University accountable for its own debt.

Together with the other respective USW locals and the faculty associations, we achieved those goals.

As noted above, USW Local 4120 has bargained a new settlement with the University, **contingent upon ratification of the UPP, to provide our members with a new 1% salary increase on the date of conversion to the UPP, expected to be July 1, 2021. This offsets an increase in employee pension contributions as part of the transition to the UPP**. This 1% increase is in addition to the May 1, 2019 increase in our Collective Agreement, and is separate from any increase we agree to in our next round of collective bargaining.

The USW Local 4120 Executive unanimously supports the UPP and recommends that Local 4120 members vote Yes in the February ratification vote.

We are recommending conversion to the UPP because it is increasingly likely that the current pension model will not hold over the long term, and because it compares quite favourably to other alternatives.

This package provides extensive information about this important decision, but as always if you have any questions, contact USW Local 4120 at **info@usw4120.ca** or at 519-766-4120.

As well, more UPP and general pension information can be found at **https://uswlocals.org/usw-local-4120** and **universitypension.ca**.

In solidarity,

Liz Cherry, *President*

Sarah Whelan, *Vice President*

Jeff Gross, *Recording Secretary*

Brenda Chomiak, *Financial Officer*

Paul Anderson, *Treasurer*

Bonnie Wakefield, *Trustee*

Jennifer La Porte, *Acting Trustee*

Tricia Townsend, *Guide*

Grant Perry, *Trustee*

Tracy Van Raaji, *Guard*

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LOCAL 4120

University Pension Plan (UPP) – an Overview

The UPP was designed during months of negotiations between unions and faculty associations: principally United Steelworkers Local 4120, United Steelworkers Local 1998, United Steelworkers Local 2010, the University of Toronto Faculty Association (UTFA), the University of Guelph Faculty Association (UGFA), Queen's University Faculty Association (QUFA) and the administrations of the University of Toronto, the University of Guelph and Queen's University.

The UPP will be jointly governed by a labour sponsor representing the employee bargaining agents, and an employer sponsor representing the respective university administrations.

The UPP will be...

- a defined benefit plan,
- a multi-university plan designed to grow in the sector, and
- governed jointly by employers and employees.

UPP retirement benefits are calculated such that...

- all pension credits earned in the current plan are preserved: your benefits for years of service in the current plan are calculated using the current plan's rules, and your benefits for years of service under the UPP are calculated using the UPP's rules;
- a new offsetting salary increase negotiated by USW Local 4120, in addition to the prevailing salary increases in our collective agreement, minimizes the increases in the new plan's contribution levels that impact our members; and
- added together, benefits earned under both plans provide you with a defined benefit pension when you retire.

Financially, the UPP...

- requires that each participating university pay down its own debt; and
- will begin with a clean start as a fully funded pension plan.

Why we are recommending the UPP

Like most single-employer pension plans in the Ontario university sector, the current Guelph plan faces challenges...

- The 2008 financial crisis took a major toll on the plan.
- The 2016 valuation of the current Guelph plan revealed significant funding issues:
  - Going concern shortfall: $19.4 million
  - Solvency shortfall: $173.0 million
- The University must pay extra to fund the shortfalls; these extra payments come out of its general operating budget.
- Funding levels are not sustainable and could impact university programming or lead to negative changes to the current plan.

The Ontario government has raised concerns about pension funding in the broader public sector in every budget since 2010.

Across Canada, provincial governments have been imposing changes on public-sector employees' pension plans, such as unilateral limits on plan provisions, legislated limits on contributions, forced conversion to joint sponsorship with imposed terms, and in some cases fundamental changes to the pension promise.

The current pension model in the Ontario university sector is a patchwork of differing single-employer plans, all facing significant challenges and uncertainties. Successive governments have made it clear that the current funding model for single-employer pension plans like our current plan at the University of Guelph is unlikely to be sustained in the broader public sector.

The UPP is a historic opportunity to get ahead of these pressures for negative change and to, instead, maintain sustainable defined benefit pensions for the future.

Key UPP Features

Defined benefit	Like all JSPPs in Ontario, the UPP will be a final average earnings-based defined benefit pension plan.
Jointly sponsored	The governing body – often called the sponsor board – will be made up 50/50 of representatives of employers, and representatives of unions and associations that represent plan members in labour relations.
Contributions	More stable and predictable contributions from employers and plan members (no more unilateral contribution holidays for universities).
Funding rules	Relief from some of the financial pressures caused by Ontario's current pension funding rules.
Efficiencies and economies of scale	As a much larger plan, the UPP will have greater access to higher-return investment opportunities.
Clear and explicit sharing of reward and risk between employers and plan members	As opposed to the current plan, in which risks and rewards are much more within the employer's control.
Ongoing administration by a board of trustees	Appointed by the equally empowered employee and employer sponsors, they have an independent fiduciary responsibility to plan members.

The UPP will be in good company

JSPPs are a Canadian pension success story–an internationally recognized model for providing secure, high-quality defined benefit pensions. In fact, many large public and broader public-sector defined benefit plans in Ontario are JSPPs.

Here are the five best known:

- Ontario Teachers' Pension Plan (OTPP)
- OMERS
- HOOPP
- CAAT (Colleges Plan)
- OPSEU Pension Trust (unionized public service)

Developing our own JSPP tailored specifically for the needs of Ontario's university sector is the path to ensure the sustainability of defined benefit university pensions going forward.

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LOCAL 4120

USW Local 4120 Ratification Process
Save the date and make sure to vote

Through this ratification vote, USW Local 4120 is seeking the membership's authorization to consent to the proposed conversion of the University of Guelph Retirement Pension Plan to the UPP, and to accept the Memorandum of Agreement signed on January 4, 2019. If a majority of voting members votes in favour, USW Local 4120 will provide its consent. All you need to cast your ballot is your Union card or photo identification.

Our vote will take place on February 12th from 7 a.m. to 7 p.m., in the following locations:

7 a.m. to 11 a.m.	USW4120 office, 21 College Avenue West
11:30 a.m. to 1:30 p.m.	University Centre Courtyard
2 p.m. to 3:30 p.m.	Lab Services Lobby
4 p.m. to 7 p.m.	USW4120 office, 21 College Avenue West

NOTE: If you are unable to attend at one of the voting stations on February 12th, you can visit the USW4120 office to pick up a ballot. You can cast your ballot at that time or you may return your completed ballot to USW4120 by mail. You can also ask that a ballot be sent to you (by emailing a request to **admin@usw4120.ca**). Completed ballots may be returned to the USW4120 office in person or by mail, with a deadline of 4 p.m. on February 13, 2019.

Below is a sample of how our ballot will appear:

SAMPLE

Do you support the January 4, 2019 Memorandum of Agreement between USW Local 4120 and the University of Guelph, and the conversion of the University of Guelph Retirement Pension Plan into a new jointly sponsored, defined benefit pension plan for the Ontario university sector, to be called the University Pension Plan (UPP)?

☐ **Yes**

☐ **No**

The USW Local 4120 Executive unanimously recommends a *Yes* vote.

UNITED STEELWORKERS

LOCAL 4120

Summary of Memorandum of Agreement with the University of Guelph regarding salary increase to offset member contribution increase in the UPP

It has always been USW Local 4120's position that increases in members' pension contributions as a result of moving to the new jointly sponsored, multi-university, defined benefit University Pension Plan (UPP) should be offset by compensatory salary increases. Accordingly, we engaged in negotiations with the Administration to that end.

As members were informed in January, we reached **a settlement on January 4, 2019 with the University of Guelph Administration to increase staff salaries by 1% on the date of conversion to the UPP, expected to be July 1, 2021**. This offsets an increase in employee pension contributions as part of the transition to the UPP. This 1% increase is in addition to the May 1, 2019 increase in our Collective Agreement, and is separate from any increase we agree to in our next round of collective bargaining.

The January 4, 2019 settlement also sets out other arrangements for our Union's consent for the conversion of our current University of Guelph Retirement Pension Plan to the UPP, and makes some related changes to our Collective Agreement.

The full January 4, 2019 Memorandum of Agreement (MOA) can be accessed at **usw4120.ca**. A summary of its terms is below:

- The MOA and its 1% salary increase are dependent upon the Union providing its consent to the UPP, and the conversion of the current Plan to the UPP.
- If a majority of voting members casts ballots in favour of the UPP in our upcoming ratification vote, the Union will provide its consent to our transition to the new UPP and Local 4120 members shall become "contingent members" of the UPP, effective either January 1, 2020 or on the UPP's inception date if it is later than January 1, 2020.
- Members' pension service will continue to accrue under the current University of Guelph Retirement Pension Plan until the conversion date of the current pension Plan into the UPP (anticipated to be July 1, 2021). On that conversion date, UPP contingent members will start to accrue service in and make contributions to the new UPP, and they will no longer contribute to or accrue service under the current Plan, which will as of that date no longer exist as a separate pension plan. Staff who join the current pension Plan on or after January 1, 2020 but before the UPP conversion date will also be UPP contingent members. Employees who are not members of the current pension Plan as of the UPP conversion date will join the UPP as of that conversion date.
- On the date that members' pension accrual begins under the UPP (anticipated to be July 1, 2021), member contributions to the current pension Plan will increase to 9.2% of pensionable salary up to the CPP maximum salary (also known as the YMPE). For pensionable salary over the CPP maximum, contributions will increase to 11.5%. On the same date, the university's pension contributions shall also be set at 9.2% of pensionable salary up to the CPP maximum (YMPE) and 11.5% above the CPP maximum (YMPE). This will mean that Plan members and the University will be contributing at a 50/50 split.

...please see other side.

- On the date that members' pension accrual begins under the UPP (anticipated to be July 1, 2021), and the higher contribution rates take effect, a one-time adjustment of one percent (1%) will be applied to the wage grid in the Collective Agreement in effect at that time. The conversion of the current University of Guelph Retirement Pension Plan into the UPP will require amendments to our Collective Agreement, because member interests in a jointly sponsored pension plan are represented via the shared governance structure of such plans and not via collective bargaining. So, as of the conversion date, all references in our Collective Agreement to the current pension Plan will be removed. The UPP will not be the subject of the grievance and arbitration procedures in the Collective Agreement.

When you cast your ballot in our upcoming UPP ratification vote, you will be asked your position on the formation of the UPP *and* on this accompanying MoA and its offsetting salary increase.

The USW Local 4120 Executive unanimously recommends a YES vote on the UPP conversion and on this Memorandum of Agreement.

Introduction to Summary of Regulatory Notice Material

The process of converting an existing defined benefit pension plan into a new defined benefit JSPP is governed by Ontario's *Pension Benefits Act* (Act).

The Act requires the administrator of an existing plan (in this case, the University of Guelph) to send a notice package to all members about the proposed conversion. The University of Guelph, Queen's University and the University of Toronto intend to send the notices required by the Act to all Plan members in April 2019.

Here at the University of Guelph, those notices would be sent to current Plan members represented by USW Local 4120, by UGFA and by other unions, as well as to individual pension Plan members who do not have a bargaining agent (known as "unrepresented members"), deferred members and retirees.

The practical operation of the Act is to require unions and other bargaining agents to either consent or not to consent to the pension plan conversion on behalf of their active members. The notice process will, therefore, only proceed if the largest employee groups (the USW locals and the faculty associations) decide to consent to the pension plan conversion.

USW Local 4120 will provide its consent upon a positive ratification vote of our members.

The USW locals and faculty associations at the University of Toronto and Queen's University will also hold member ratification votes, and will provide their consent to the UPP based on the results of the votes of their members.

So, in addition to the other information in this package, next you will see a detailed summary of the "Schedules" and other technical information that would form part of the notice package that you will receive in April if the regulatory process proceeds. That summary includes:

- actuarial information about the status and funding of the current pension Plan that would be part of the regulatory notices; and
- in chart form, detailed information about the benefits provided under the current pension Plan as compared to the benefits to be provided under the new UPP, set out in a similar but more explanatory manner than would be in the regulatory notices.

As part of the process for conversion of the Retirement Plan of University of Guelph (the "current Plan") to the jointly sponsored University Pension Plan (UPP) mandated by the *Pension Benefits Act*, you will be receiving an official regulatory notice from the University of Guelph Administration in its role as the current Plan Administrator.

Because the University will be sending the official notices in late March, after the USW ratification process is complete, the following summary is intended to explain and summarize in detail what you will be receiving in April. This summary is for your information only. The formal regulatory notices may differ.

The required notice would be in two parts, formally called "Schedules." The first part (called Schedule 1) would set out the information the current Plan has about you as an individual Plan member, set out the terms of the current Plan, and include a statement of the benefit to which you were entitled as of September 30, 2018. Schedule 2 would compare the provisions of the current Plan and the UPP, and the benefits you will receive for your service to the date of conversion under the two plans.

Below we provide a detailed summary, in advance of the regulatory notices being sent out, of Schedules 1 and 2.

If consent is granted for the proposed transfer from the current Plan to the UPP, the effective date – the date at which pensions will begin to accrue under the terms of the UPP – is targeted to be July 1, 2021. That date may change, however, depending on the timing of regulatory approvals.

Schedule I – the provisions of the current Plan that apply to you

a) **Personal information** – the information contained in this part will be an updated version of the information that is contained in your most recent annual pension statement. The information in the Schedules will be current as of September 30, 2018.[1]

b) **Summary of current Plan provisions** – the notice will summarize the information about the current Plan as it applies to you and as is set out in the current Plan text.

   i) Benefit formula – current Plan

   Your pension is what is known as a final average earnings-based defined benefit plan. Your pension at retirement will be based on the annualized average of your highest 36 consecutive months of earnings at Guelph.

[1] Your statement is available to you at **https://pensions.uoguelph.ca**, using your central login.

For each year of service (with part-time employment pro-rated), your pension would be:

1.6% of your highest average earnings, as defined above, up to the average maximum pensionable earnings under the Canada Pension Plan (known as the Year's Maximum Pensionable Earnings, or YMPE) in effect for the 60 consecutive months immediately preceding your retirement

plus

2% of your highest average earnings, as defined above, in excess of the CPP maximum earnings (YMPE)

The maximum pension payable per year of service is limited by the provisions of the *Income Tax Act*. In 2018, that amount was $2,944.44.

ii) Post-retirement indexing – current Plan

After retirement, your pension under the current Plan will be adjusted as of September 1 each year by the change in the Consumer Price Index (CPI) for Canada in the previous year for inflation in excess of 2%, subject to a maximum pension increase of 6%.

iii) Survivor benefits – current Plan

The notice includes the name of your spouse and/or beneficiaries on record with the current Plan, and sets out both the normal form of pension payable at retirement (including the normal survivor benefit) together with the survivor benefit options available as alternatives.

The "normal form" of benefit pays a benefit to your surviving spouse equal to 60% of your pension. If your spouse's death precedes yours, the survivor benefit will be divided among your dependent children and will be payable as long as they are dependent children.[2]

If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of five years. That means your pension will continue for five years or until your death, whichever comes later. If you die within the five years, your beneficiary or estate will receive the pension you would have received for the remainder of the five years.

The notices also describe the optional forms of benefit summarized in the current text.[3]

[2] Children are eligible if they are under the age of 18, or under 21 if they are either in school or have a mental or physical infirmity.
[3] The document describing the benefits applicable to you is available at **https://www.uoguelph.ca/hr/staff-faculty/pension-plans**.

iv) Pre-retirement death benefits – current Plan

If you die before you start receiving a pension, and you have an eligible spouse, your spouse will receive a lump-sum payment from the Plan equal to the value of your pension calculated as if you had terminated your Plan membership as of your date of death. As an alternative to the lump-sum payment, your spouse may elect an immediate or deferred life annuity, or to transfer the amount to a retirement savings plan, to any other registered arrangement allowable by law, or to another pension plan.

If you do not have an eligible spouse, the lump sum is payable to your designated beneficiary or beneficiaries, or if none, to your estate.

v) Benefits on termination of employment – current Plan

If your employment is terminated for a reason other than death or retirement, you are entitled to receive the pension that you earned to your date of termination, beginning at your normal retirement date.

The calculation of termination benefits applicable to USW members changed as of January 1, 2012.

In the event that you wish to begin to receive your pension prior to your normal retirement date, different rules apply to service before and after the change in termination benefits.

For service prior to January 1, 2012, you can begin receiving your pension on the date your age and service total 85 or more, without a reduction. Otherwise, your pension will be reduced by 0.25% for each month by which the start of your pension precedes your normal retirement date, or the date your age and service reach 85, whichever number of months is lower.

For service after January 1, 2012, if you terminate before age 55, your pension will be reduced to an amount that has the actuarially equivalent value to a pension beginning at your normal retirement date. If you terminate after age 55, your pension will be reduced by 0.25% for each month your pension start precedes the earlier of your normal retirement date or your earliest unreduced retirement age applicable to that service.

As an alternative to the deferred pension described above, if you terminate employment, you may receive a lump sum equal to the commuted value of your pension to be transferred into a registered retirement savings arrangement on a locked-in basis. Lump-sum payments in excess of the *Income Tax Act* maximum would be paid in cash, and subject to taxation. For service prior to January 1, 2012, the lump sum would be the greater of the commuted value of the pension earned to that date and two times your contributions, plus interest.

In addition to the amounts set out above, you would be entitled, on termination, to the difference between:

a. your contributions after January 1, 1987, plus 50% of contributions made to purchase credited service between January 1, 1987 and January 1, 2007, plus interest;

   and

b. 50% of the actuarial equivalent to their retirement income earned after January 1, 1987, if any.

c) Funded status of the current Plan

The notice will then summarize the funded status of the current Plan, as stated in the most recent valuation the University was required to file with the Financial Services Commission of Ontario.

As of August 1, 2016, the current Plan's status was:

1. 95% funded on a "going concern" basis. That means the current Plan's assets were equal to 95% of the value of the benefits provided by the current Plan, valued using assumptions about long-term investment returns and including the estimated value of future indexing adjustments. The current Plan had a going concern deficit of $19,383,331 which the University is required to pay off over a 15-year period.

2. 68% funded on a "solvency" basis. That means the current Plan's assets were equal to 68% of the value of the benefits provided by the current Plan, excluding the value of indexing adjustments and valuing future benefits based on short-term low-risk interest rates. The current Plan had a solvency deficiency of $172,945,042. Under normal rules, that solvency deficiency would have to be paid off over a five-year period. However, under temporary solvency relief, the University is required to pay off only 25% of the solvency deficiency over a seven-year period and pay interest only on the other 75%. This temporary relief rule expires for valuations effective and filed after May 1, 2018.

3. 59% funded on a wind-up basis. That means, if the current Plan were wound up as of the valuation date, the assets on hand would be equal to 59% of the value of future benefits payable, including the estimated value of future indexing adjustments and using short-term low-risk interest rates.

It is important to note that the University is required to make special payments to the current Plan to cover the going concern shortfall. At present, temporary solvency funding relief reduces the University's obligation to fund the elimination of the solvency deficit.

The University is not required to fund for the wind-up liabilities. However, in the event that the current Plan were wound up, the University would be financially obligated for the full amount of the wind-up cost.

d) The consent process to convert the current Plan to the UPP

The notice will also describe the consent process for conversion of the current Plan to the UPP, and how the USW Local 4120's role as bargaining agent fits into that consent process. Your individual participation in the consent process will be through the ratification process organized by the USW.

Schedule II – comparison of the current Plan and the UPP

a) A summary of member entitlements as of September 30, 2018 under the UPP, assuming that the conversion took place on that date.

Because benefits under the UPP for service prior to the effective date of the UPP will be determined by the provisions of the current Plan, the benefits payable under the UPP as of September 30, 2018 will be exactly the same as the benefits payable under the current Plan.

b) Contribution rates – UPP

For earnings below the CPP maximum earnings (YMPE) in the current Plan, the present contribution rate is 8% of earnings.

In the UPP, the contribution rate up to the CPP maximum earnings is anticipated to be 9.2% of earnings.

For earnings above the CPP maximum earnings in the current Plan, the present contribution rate is 9.5% of earnings.

In the UPP, the contribution rate over the CPP maximum earnings is anticipated to be 11.5% of earnings.

In negotiations between the University of Guelph and USW Local 4120, a package of collective agreement changes to offset these contribution increases were incorporated into the consent agreement. These changes are contingent on consent to the transfer to the UPP and are summarized in an accompanying document.

In the current Plan, the CPP maximum earnings level is (YMPE) $55,900 in 2018.

In the UPP, the CPP maximum earnings will be each year's YMPE until December 31, 2024, after which, on January 1, 2025, it will be the new Year's Additional Maximum Pensionable Earnings (YAMPE). The YAMPE is 14% higher than the YMPE (would be $63,726 in 2018) and is part of a package of improvements to the CPP, which will be fully effective by the end of 2024. This means, under the UPP, members' pension contributions will decrease in 2025 by 2.3% of earnings between the YMPE and the YAMPE.

The Canada Revenue Agency (CRA) sets a maximum pension that can be earned for each year of service in a defined benefit pension plan. The CRA maximum earnings for contributions purposes is the estimated final earnings that would generate a benefit under the Plan equal to the maximum pension.

In the current Plan, the CRA maximum earnings for contribution purposes is $167,000 in 2018. In the UPP, the CRA maximum in 2018 dollars would be $165,000, indexed to the change in the maximum pension payable under the *Income Tax Act* and recalculated in 2025 to reflect the change in the CPP maximum from the YMPE to the YAMPE.

c) Comparison of Plan provisions – current Plan and UPP

University of Guelph Retirement Plan – the current Plan	UPP
Formula up to CPP maximum earnings	
1.6% of best average earnings up to the CPP Year's Maximum Pensionable Earnings (YMPE).	1.6% of best average earnings up to the CPP maximum.
Formula over the CPP maximum earnings	
2% of best average earnings over the CPP YMPE.	2% of best average earnings over the CPP maximum.
Definition of best average earnings	
The annualized average of the highest 36 consecutive months of earnings.	The annualized average of the highest 48 months of earnings. Highest months do not have to be consecutive.
Definition of average CPP maximum earnings	
The annualized average of the YMPE applicable for the 60 months prior to the determination of the pension.	For service before 2025, the annualized average of the YMPE applicable for the 48 months prior to the determination of the pension. For service in 2025 and thereafter, the annualized average of the YAMPE (or 114% of the YMPE for years in the calculation for which there is no published YAMPE). Note: the effect of this change will be to reduce slightly the proportion of earnings to which the 2% accrual applies, and will thus tend to produce a slight reduction in the pension payable. There will also be a corresponding reduction in contributions on salary between the YMPE and the YAMPE, to reflect the fact that the lower accrual rate would then apply to earnings in that range.[4]

[4] It is not currently known what change, if any, would be made in the Guelph Retirement Plan's integration with the Canada Pension Plan upon implementation of the enhancements to the CPP.

Limit on credited service	
Credited service is capped at 35 years of service.	There is no cap on years of service. As of the effective date of the UPP, members who had already reached the 35-year credited service in the current Plan will be required to contribute and accrue service in the UPP.
Indexation (pension adjustments to reflect the impact of inflation on the value of your pension)	
Adjusted as of September 1 each year by the change in the Consumer Price Index (CPI) for Canada in the previous year for inflation in excess of 2%, subject to a maximum pension increase of 6%.	The UPP provides for funded conditional indexing. "Funded" means that contributions to the UPP are sufficient to fund indexing to 75% of the change in the CPI in the previous year. Adjustments would be effective January 1, and would be prorated for retirements within one year of that date. Indexation on pension benefits for UPP pensionable service would be paid at 75% of the increase in CPI for the first seven years of pension payments after the effective date. The UPP's conditional indexing means that indexing adjustments will be subject to the financial condition of the UPP and a funding policy developed and approved by the Joint Sponsors of the UPP, and may be less than 75%. These adjustments will not apply to the deferred pensions of former members.
Normal retirement date	
The first day of the month following the month in which you reach age 65.	The last day of the month coincident with or in which you reach age 65.

Early retirement date	
If your age and credited service total 85 or more, and you have reached age 55 as of your date of retirement, your benefit is unreduced. Otherwise, for members who retire within 10 years of their normal retirement date, the pension earned to their date of retirement reduced by 0.25% for each month their retirement date precedes the earliest of their normal retirement date and their earliest unreduced retirement date.	Members age 60 or more, and whose age and continuous service total 80 or more, will receive an unreduced pension for service in the UPP. Members who are age 52 or older at the effective date of the UPP will be eligible to retire based on the earliest unreduced retirement date in the current Plan, if the current Plan provides for an earlier unreduced retirement date than the UPP. Members who retire before becoming eligible for an unreduced pension under the UPP will receive a UPP pension reduced by 5/12% for each month their early retirement date precedes their normal retirement date.
Postponed retirement	
Retirement may be postponed beyond the normal retirement date, but not beyond the December 1 of the calendar year in which you turn age 69.	Retirement may be postponed to a date not later than the November 30 of the year you reach the maximum age for active retirement income plan participation provided for in the *Income Tax Act* (currently age 71).
Post-retirement death benefits	
Without a spouse	
If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of five years. That means that your pension will continue for five years or until your death, whichever comes later. If you die within the five years, your beneficiary or estate will receive the pension you would have received for the remainder of the five years. Other cost-equivalent options are available as set out in the current Plan documents.	If you do not have a spouse as of your retirement date, your pension will be guaranteed for a period of 10 years. That means your pension will continue for 10 years or until your death, whichever comes later. If you die within the 10 years, your beneficiary or estate will receive the pension you would have received for the remainder of the 10 years.

With a spouse	
The normal form of benefit is a 60% survivor benefit, which pays a pension to a surviving spouse (or dependent children, while dependent) equal to 60% of the member's benefit at retirement. If you have an eligible spouse as of your retirement date and have a different spouse at the time of your death, your "successor spouse" is entitled to the 60% survivor benefit, provided that if the "successor spouse" is more than five years younger than you, the survivor benefit will be reduced to provide for a benefit that is of the same value as a survivor benefit payable to a spouse exactly five years younger than you.	The normal form of benefit is a 50% survivor benefit, which pays a pension to a surviving spouse (or dependent children, while dependent) equal to 50% of the member's benefit at retirement. To increase the survivor benefit to the 60%, level which is the legislative default, the member's pension will be reduced to offset the difference in cost. Note: the effect of converting the 50% survivor benefit to a 60% benefit would be a pension reduction of roughly 1.5%. If your spouse is within 10 years of your age, you will receive the normal 50% survivor benefit set out above. If your spouse is more than 10 years younger than you, your pension will be reduced so that its total value, including the survivor benefit, is equal to the value of a pension paid to a member with a spouse who is 10 years younger. There is no provision for a successor spouse in the UPP. This means, upon your death, a successor spouse will receive only the benefit earned under the current Plan (i.e., related only to service prior to the effective date of the UPP).
Optional forms of benefits	
As an alternative to the normal forms of benefit set out above, you may elect a 10-year or 15-year guarantee period or a survivor benefit of 75% or 100% for members with a spouse. For optional forms of benefit, your pension would be reduced to cover the increased cost.	Guarantee periods of 10 or 15 years; survivor benefits of 50%, 60%, 80% and 100%; singly or in combination; all with dependent child options. For optional forms of benefit, the member's pension will be reduced to cover the increased cost.

Pre-retirement death	
If you die before you start receiving a pension, and you have an eligible spouse, your spouse will receive a lump-sum payment from the Plan equal to the value your pension calculated as if you had terminated your Plan membership as of your date of death. As an alternative to the lump-sum payment, your spouse may elect to transfer the amount to a locked-in retirement income vehicle, such as an annuity, an RRSP or another pension plan. If you do not have an eligible spouse, the lump sum is payable to your designated beneficiary or beneficiaries, or if none, to your estate.	If you die before you start receiving a pension, you will be deemed to have terminated your employment and UPP membership or retired (if eligible) immediately prior to death. The benefit will be payable to your eligible spouse, a beneficiary or beneficiaries or your estate. The benefit will be the commuted value of the pension to which you would be entitled, had you terminated your employment or retired immediately prior to your death. By default, an eligible spouse is entitled to an immediate pension for life of actuarially equivalent value to the commuted value referred to above. Alternatively, an eligible spouse may elect a transfer to an RRSP or RRIF. If you do not have an eligible spouse as of your date of death, the benefit is payable to your beneficiary or beneficiaries, if any, or to your estate.
Benefits on termination of employment	
A deferred pension beginning at your normal retirement date. If you elect to receive your deferred pension before your normal retirement date, your pension will be reduced. The reduction will depend on whether or not you are eligible for early retirement as of your date of termination (i.e., over or under age 55). If you are under age 55, your pension will be the actuarial equivalent to the pension you would have received at your normal retirement date. If you are age 55 or over, you pension will be reduced by 0.25% for each month your retirement date precedes your normal retirement date or your earliest unreduced retirement date, whichever comes first.	A deferred pension beginning at your normal retirement date. If you elect to receive your deferred pension before your normal retirement date, your pension will be reduced to a benefit with a value that is actuarially equivalent to a pension beginning at your normal retirement date. Deferred pensions are not indexed during the period of deferral. Once in payment, deferred pensions are indexed on the same basis as other UPP pensions in pay.

Portability	
In lieu of a deferred benefit, transfer to a registered retirement savings arrangement on a locked-in basis of the commuted value of the deferred benefit.	In lieu of a deferred benefit, provided the member is not eligible for an immediate pension, a member may transfer the commuted value of the benefit to a retirement income vehicle. There is no commuted value option for a member who is eligible for an immediate (reduced or unreduced) pension (i.e., after age 55). The elimination of the commuted value option after age 55 will be implemented in three stages. For the first three years after the effective date of the UPP, the portability rules in the current Plan will apply. For years four through 10 after the effective date, the current Plan portability rules will apply to service under the current Plan and the UPP rules will apply to service under the UPP. After the tenth year, UPP rules – i.e., no commutation of benefits after age 55 – will apply to all benefits.
Post-retirement employment	
Upon re-employment after retirement and commencing receipt of a pension, you have the option of suspending your pension and resuming contributions and service accrual, or continuing to receive your pension without further contributions or accrual.	If you retire and are re-employed by an employer that participates in the UPP in a class of employees that is eligible for membership in the UPP, your pension will be suspended and contributions to and accrual of service in the UPP will resume.
Small pensions	
If the commuted value of a pension payable at normal retirement is less than 20% of the YMPE under the Canada Pension Plan, or the benefit payable is less than 4% of the YMPE, the current Plan may pay the benefit out in cash as described above.	Same provision as the current Plan.

d) Indexation

For service prior to the effective date of the UPP, indexing would be in accordance with the provisions of the current Plan. For service after the effective date of the UPP, indexing would be in accordance with the provisions of the UPP – i.e., funded conditional indexing at 75% of the CPI, conditional on the Joint Sponsors' funding policy.

The UPP would not provide for indexing of deferred pensions of former members during the deferral period.

e) Integration with CPP

As described above, the UPP integrates with the CPP by incorporating the maximum earnings eligible for CPP purposes into the benefit design and contribution system.

For service prior to 2025, the formula and contribution rates below the YMPE are reduced to reflect eligibility for CPP benefits attributable to those earnings.

For service in 2025 and later, the formula and contribution rates below the YAMPE are reduced to reflect eligibility for the additional CPP benefits that will be fully implemented by the end of 2024.

f) Death benefits

Death and survivor benefits arising from service prior to the effective date of the UPP will be determined based on the provisions of the current Plan, as summarized above.

Death benefits arising from service after the effective date of the UPP will be determined based on the provisions of the UPP, as summarized above.

g) Joint sponsorship and governance of the UPP

The UPP will have a two-tier governance structure:

Joint Sponsors

There will be two sponsors. The Employer Sponsor, consisting of representatives of employers – the University of Toronto, the University of Guelph and Queen's University; and the Labour Sponsor, consisting of representatives of the unions and faculty associations that represent plan members.

The Joint Sponsors would determine the benefits from and contributions to the UPP, as well as its funding policy.[5] The Joint Sponsors would also be responsible for the appointment of the Board of Trustees, which would be the Administrator of the UPP.

Board of Trustees

As the Administrator of the UPP, the Board of Trustees would consist of 14 Trustees: an independent chair jointly appointed by the Sponsors; 6 appointed by the Employer Sponsor; 6 appointed by the Labour Sponsor; and one appointed by members not represented by a union or faculty association in accordance with a pre-determined process approved by the Joint Sponsors. The non-unionized nominee would not have a tie-making or tie-breaking vote.

The Board of Trustees would be responsible for the day-to-day administration of the UPP, including the provision of member services, the investment of UPP assets and compliance with applicable legislation. The Board of Trustees would have fiduciary responsibilities to the UPP members.

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[5] The funding policy for the UPP would be approved by the Joint Sponsors, and would set out the steps to be taken in response to funding surpluses or deficits revealed in normal funding valuations.

h) Funding of the UPP

The University of Guelph will be fully responsible for any going concern unfunded liability in the current Plan as of the UPP effective date. The University of Guelph will be required to amortize that unfunded liability in the current Plan over a period not to exceed 15 years; those payments will be mandatory, and not dependent on future funded status of the UPP.

In addition, for the first 10 years of operation of the UPP, the University of Guelph will be responsible for any losses associated with the current Plan. That means, for example, that if the return on the assets invested to provide benefits earned in the current Plan is lower than is expected, the University will be responsible for covering the loss.

For the next 10 years, responsibility for funding of benefits attributable to service prior to the effective date of the UPP will transition in equal steps from 100% University of Guelph responsibility to 50/50 employer/employee responsibility. That means, between years 11 and 20 of the UPP's operation, the University will share cost of covering losses on benefits brought into the UPP from the current Plan with the UPP. After year 20, any losses will be covered by the UPP in accordance with the funding policy agreed upon between the Joint Sponsors.

i) Benefits on wind-up of a JSPP

The originating university remains responsible for benefits earned prior to the effective date of the UPP.

For benefits earned after the effective date, the UPP is responsible for the benefits.

This is different from the current situation for the current Plan. In the current Plan, the University is responsible for any unfunded liability on wind-up, whereas in the UPP, it is only responsible for an unfunded liability arising from service prior to the effective date of the UPP. In the event that the University of Guelph is unable to pay (i.e., is insolvent with insufficient assets to cover the pension liability), members of the current Plan are eligible for coverage under the Pension Benefits Guarantee Fund, a provincial fund that covers the unfunded portion of the first $1,500 in monthly benefits. This means, for example, that if the current Plan were to be wound up, the University was insolvent and the funded ratio on wind-up was 80%, members would receive the unfunded 20% of $1,500 (or $300) per month from the Guarantee Fund.

After the effective date of the UPP, benefits are not covered by the Pension Benefits Guarantee Fund. Instead, the benefits are guaranteed by the UPP. In the unlikely event that the UPP itself were to be wound up, the University would be responsible for any wind-up deficit related to benefits transferred into the UPP from the current Plan.

j) Funded status of the UPP

As of the effective date, the UPP will be 100% funded on a going concern basis, with any going concern unfunded liability related to benefits transferred into the UPP to be amortized through a series of irrevocable payments from the University to the UPP over a maximum of 15 years. As service accrues under the UPP, the UPP will be responsible for any payments required to pay down losses that arise in the course of its operation. The basis for the exercise of that responsibility will be determined in the funding policy for the UPP developed by and approved by the Joint Sponsors. Losses would require some combination of contribution increases, benefit reductions, and the suspension of indexing adjustments in accordance with the conditional indexing policy.

k) Solvency funding

The establishment of the UPP is conditional on confirmation by the Government of Ontario that the funding rules applicable to JSPPs under the *Pension Benefits Act* will apply to the UPP. These JSPP funding rules exempt from solvency and other special funding requirements for any JSPP that is named in a regulation to the *Pension Benefits Act*.

It would simply not be practicable to establish the UPP if its funding were subject to the extreme funding volatility associated with a requirement for solvency funding. The initially participating universities, faculty associations and USW local unions welcome the indication in the official 2018 Fall Economic Statement of the Province of Ontario that such an exemption will be granted to the UPP.

l) Grow-in benefits

The *Pension Benefits Act* provides for enhanced benefits to be paid to pension plan members whose plan membership is involuntarily terminated, subject to meeting certain eligibility requirements. These enhanced benefits are called “grow-in” benefits, and in such situations, terminated members derive the financial benefit from any early retirement benefits to which they might have become entitled had their employment continued uninterrupted.

The Joint Sponsors have agreed that the UPP will not elect to exclude the plan from the operation of s.74 of the *Pension Benefits Act*, which provides for grow-in benefits.