The Proposed University Pension Plan (UPP)

An Overview

The UPP was designed during months of negotiations between faculty associations and unions on the one hand and University administrations on the other. The principal employee groups were represented by the University of Toronto Faculty Association (UTFA), the University of Guelph Faculty Association (UGFA), Queen's University Faculty Association (QUFA), United Steelworkers Local 1998, United Steelworkers Local 4120, and United Steelworkers Local 2010. The employers in these negotiations were the Administrations of the University of Toronto, the University of Guelph and Queen's University.

The UPP's benefit provisions are closely modelled on those of the current University of Toronto Pension Plan.

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

The UPP will be...

- a defined benefit plan
- a multi-university plan designed to grow in the Ontario University sector
- a pension plan governed jointly by employees and employers

UPP retirement benefits are calculated based on two plans:

- All of your pension credits earned in the current plan are preserved.
- The pension you earned for years of service in the current plan are calculated using the current plan's rules.
- The pension you earned for years of service under the new UPP are calculated using the UPP's rules.
- Added together, benefits earned under both plans provide you with a defined benefit pension when you retire.

Supplementary Account Plan (SAP) and contribution offsets:

- An SAP provides additional retirement income for higher earners whose salaries exceed the *Income Tax Act* cap on pensionable earnings.
- The SAP is conditional on the successful conversion to the UPP.
- UTFA negotiated salary increases that fully offset the pension contribution increases.
- The contribution increases and corresponding salary increases will be implemented only if UTFA votes in favour of the UPP.

The UPP will begin fully funded:

- Each participating University must pay down its own debt.
- The UPP will begin 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 U of T plan faces challenges.

- Recent plan valuations continue to reveal significant levels of debt in the current plan.
- Currently, funding shortfalls must come out of operating budgets, which is not a sustainable means of funding a pension 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 Toronto is unlikely to be sustained in the broader public sector.

The UPP presents an opportunity to 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 – 50% representatives of employers and 50% 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.
Joint decision-making about gains and risks	In the current plan, the employer controls surpluses and the management of risks or losses.
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.

Developing our own JSPP tailored specifically to the needs of Ontario's University sector is the means of ensuring the sustainability of defined benefit university pensions for the future.

Here are the five best known:

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

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