Queen’s University
University Pension Project Overview and Update

Meeting on May 20, 2015
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Definition of Jointly-Sponsored Pension Plan (JSPP)

- Defined in Section 2 (2) of the Pension Benefits Act (PBA):
  - Provides contributory defined benefits
  - Members required to make contributions for any going concern unfunded liability and solvency deficiency
  - Satisfies “Prescribed Criteria”

- Prescribed Criteria:
  - Annual member contributions no more than employer contributions
  - No reductions in accrued benefits except on wind-up
    (as such, no Pension Benefits Guarantee Fund Coverage)
  - Joint responsibility for plan terms, amendments, and selection of Administrator
  - Contributions and benefits directly related to member earnings
Jointly Shared Principles for Establishment of a University Sector JSPP

1. Participation in a sector-wide or multi-employer JSPP, as defined by the *Pension Benefits Act*, will be voluntary and open to all pension plan types and employee groups
2. A university-sector or multi-employer JSPP will be non-statutory
3. A university-sector or multi-employer JSPP will receive an exemption from solvency valuations and funding
4. A university-sector or multi-employer JSPP will include a guaranteed formula pension
5. A university-sector or multi-employer JSPP will be fully funded on a going concern basis at inception
6. Under this new equal partnership, each of the parties involved (plan members and their representatives, plan sponsors and administrators, and government) need to understand the potential benefits and negative implications of any proposals so that an informed decision as to whether or not to proceed can be made
Regulatory Background

- PBA amended through Bill 14 (Royal Assent on July 24, 2014) to facilitate the conversion of a single-employer pension plan (SEPP) to a JSPP
- Legislation addressed two approaches for implementing a conversion:
  1) Through a transfer of assets from a SEPP to another pension plan that is a JSPP
  2) Through amending the SEPP to make it a JSPP
- Under either approach, consent of both plan beneficiaries and Superintendent of Financial Services will be required
- Regulations required to proclaim changes into force and provide further details on implementation requirements
- Ministry released descriptive document on January 20, 2015 to inform parties of intended direction of Regulations with 45-day comment period
- Further 45-day comment period once actual draft Regulations released:
  - Ministry of Finance is trying to release draft Regulations by end of June
Regulatory Background (Continued)

- Legislation/Regulations address requirements for benefit provisions, funding, notice and consent
Solvency Funding Exemptions in Ontario Public Sector

- Long-time public sector JSPPs have solvency funding exemption:
  - OTPP, OMERS, HOOPP, OPTrust, CAAT
- TTC Pension Plan converted to a JSPP in 2011 but was only provided with a solvency funding exemption for future service benefits
- Ministry of Finance recently released paper with proposed criteria for exempting new broader public sector multi-employer JSPPs from solvency funding requirements
- Solvency funding exemption is not being contemplated for single-employer JSPPs
Proposed Criteria:

- At least five participating employers
- No participating employer with more than 50% of plan beneficiaries
- Baseline asset level of at least $5 billion
- Meets expectations set around governance practices
Plan Design Structure for a University Sector JSPP

– Each participating university will merge their pension plan into the university sector JSPP

– Pension benefit provisions in effect prior to merger date will continue to apply for pre-merger service (“past service benefits”), creating multiple past service variations within the JSPP

– Pension benefit provisions for post-merger service (“future service benefits”) will be harmonized for all participating universities/members

– Past service pension benefits will be calculated using pensionable service earned to merger date and final average earnings at retirement/termination/death

– Eligibility for early retirement benefits under past service provisions and future service provisions will be based on total service
Governance Structure for a University Sector JSPP

Joint Sponsorship

Plan Sponsors

Employee Groups
Unions/Associations
Non-Represented Employees

Universities
Each Participating University

- Appointing trustees or directors
- Setting competency/expertise required by trustees or directors
- Setting compensation of trustees or directors
- Providing direction to trustees in accordance with Sponsors’ Agreement (e.g., protocol for amendments)
- Defining/modifying pension plan benefit and financial parameters
- Developing funding policies
- Monitoring plan performance

Joint Governance

Pension Trust Board of Trustees (Legal Administrator)
Corporation Board of Directors (Legal Administrator)

Representatives
Appointed By
Employee Groups
Representatives
Appointed By
Universities

- Overseeing plan administration
- Developing/executing policy (SIP&P, Investment beliefs)
- Setting asset allocations
- Executing risk management activities
- Filing actuarial valuations
- Ensuring compliance with laws/text including compliance amendments
- Selecting/managing service providers
Key Issues to be Resolved

– Final plan design for future service benefits
– 50/50 sharing of cost for future service benefits
– Full funding structure
– Treatment of gains and losses on past service liabilities
– Participation of non-represented employees in plan sponsor structure
– Details around operation of governance structure
– Transition provisions for Hybrid Pension Plans