



Temporary Pension Solvency Relief

QUSA Members:

On August 5, 2010 the Ontario Minister of Finance announced that shortly the government will introduce measures to provide temporary solvency relief for university pension plans, such as the Queen's Pension Plan (QPP). The administration posted an incomplete and misleading report of this announcement on the Queen's website on August 12.

For months, University administrations have been lobbying the provincial government to provide temporary pension solvency relief. The Minister's August 5, 2010 memorandum indicated that the government will offer such relief if universities submit acceptable plans for restructuring their pension plans to make them sustainable. The Minister stressed that such plans **MUST** be developed in consultation with unions and associations representing employee groups. The Queen's administration web announcement makes no mention of this requirement; noting only that "Dr. Silverman [Provost and VP Academic], along with Ms Davis [VP Finance and Administration] and V-P (Human Resources) Rod Morrison have been tasked with evaluating the pension plan and establishing a process to restore the program to sound footing." No mention of the employee groups, no mention of the University Pension Committee.

So why is the solvency relief announcement important? At least once every three years, pension plans in Ontario are required to file an actuarial valuation of the plan with provincial regulators. Two types of valuation are required: a so-called "going concern valuation" which assumes that the plan will continue to operate well into the future; and a "solvency valuation" which is a valuation of the liabilities under the plan should the sponsor (usually a company or institution – in the case of the QPP the sponsor is the University) go out of "business" and the plan be wound up. If the valuation reveals an unfunded liability, the plan sponsor must make additional payments into the plan. Under current rules, the sponsor must pay down a going concern unfunded liability over 15 years and a solvency unfunded liability over 5 years. As a result of the unfunded liabilities revealed by the most recent (August 31, 2008) valuation of the QPP, Queen's currently is required to make additional annual payments into the Plan of approximately \$6 million – these payments are taken from the Operating Budget.

Until recently, solvency has not been an issue for the QPP. It first emerged in the August 2008 valuation and it is anticipated that the solvency unfunded liability will be significantly higher at the date of the next filing with the regulators (which must be no later than August 31, 2011). This issue is not unique to the QPP: several universities including those at Toronto, York, McMaster, Guelph, Carleton, Ottawa and Trent face a similar challenge of being required to



make significantly increased extra payments into their pension plans following their next official valuation. At Queen's, Department Heads in the Faculty of Arts and Science have been instructed to budget for a 2.5% cut in their 2011-12 budgets but also to think about how they would address a further 2.5% cut if Queen's is required to make additional payments to address the pension solvency issue.

A sustainable QPP is precisely what Queen's employee groups (QUFA, CUPE, QUSA) have been seeking to achieve in our negotiations with the Queen's administration (led by V-P Morrison assisted by Bob Weisnagel and Bill Forbes from the Pensions Office) over the last several years. The process for negotiating changes to the pension plan had been working well. Earlier this year, the parties were close to agreement on a set of changes to the QPP - changes that both Mercer (the actuarial firm retained by the administration) and our actuarial advisors believed would put the QPP on a sound financial footing for the future. The changes we were close to agreeing on are very similar to the kinds of changes the government is now signaling it wants to see before granting solvency relief. However, following the May 2010 Board of Trustees meeting, Principal Daniel Woolf unilaterally suspended pension negotiations with the employee groups, declared that "all deals are off" and set up a new working group composed only of people drawn from the Board of Trustees and senior administration (Provost Silverman, V-P Davis and V-P Morrison). Neither Silverman nor Davis had been involved previously in discussions of changes to the Plan (see http://www.qufa.ca/files/2010/20100623_Bulletin.pdf). Since that time we have heard nothing from the Principal or his delegates.

We assume that the Principal and the Board would like to seek solvency relief for the QPP from the government. The employee groups remain ready to resume pension negotiations. The ball is in the administration's court.

QUSA is represented in these discussions by Carol Kavanaugh, Mark Publicover and Marlo Whitehead and supported by QUSA Pension Council Members Spring Forsberg and Peg Hauschildt. We will continue to keep Members informed about these important matters, and welcome your comments. Also, we would encourage you to share this information with non-QUSA members.

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