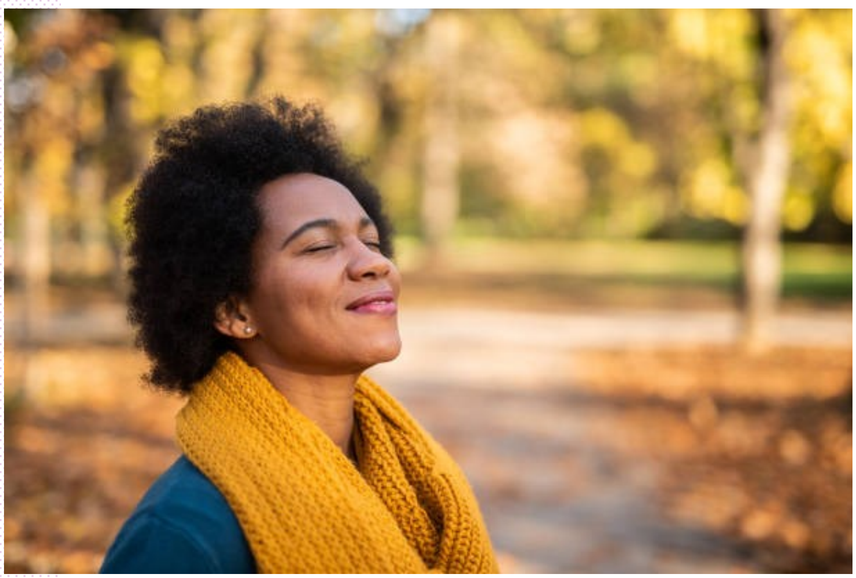
WLUFA
Wilfrid Laurier University
Faculty Association

Understanding the University Pension Plan (UPP)

Laurier's Pension Plan is a single-employer pension plan (SEPP) sponsored by WLU. The University Pension Plan is a Jointly Sponsored Pension Plan (JSPP) with multiple universities participating in the one plan. There is considerable difference in the structure and governance of SEPPs and JSPPs, as well as the regulations that govern them, so changing from one to another is a lengthy and carefully regulated process. Changing from a SEPP to a JSPP also requires your approval and that of other employee groups. It's important for you to understand the differences between the two plans before deciding if you support the transfer of our pensions to the UPP.



The UPP was established in 2020 with three founding members—Queen's University, the University of Toronto, and the University of Guelph—by agreement of the employers and their faculty and staff. Trent University and the Trent University Faculty Association reached an agreement to join the plan in January 2022.

The UPP is a much larger plan than Laurier's.

At its last valuation in 2019, the Laurier Pension Plan had approximately $700 million in assets and 3,000 active members. In July 2021, when the UPP began operations, it had 35,000 members (active and retirees) and $10.5 billion in assets. At present, the UPP is approximately 10 times the size of the Laurier Plan.

Under the Laurier Pension Plan, all activities—such as gathering contributions, tracking accrued service and benefits, sending out pension cheques, managing investments, etc.—are handled by the university. As explained in the information booklet **Understanding the Laurier Pension Plan**, the university's Board of Governors has fiduciary responsibility for managing the Laurier pension.

In contrast, the UPP is administered by an employer- and employee -appointed Board of Trustees, whose members jointly make decisions on the day-to-day operations of the plan.

Bigger decisions about plan design, such as those involving the admission of new universities and their members, the level of contributions or benefits, and so on are decided by a Committee of Joint Sponsors.

While the members of the UPP are employees of individual universities, the UPP makes its own investment decisions and determinations. **The UPP's ability to meet ongoing and future commitments is not directly tied to the financial health of any one institution.**

A single-employer pension plan (SEPP) is managed by the employer on behalf of plan members. Contributions and retirement benefits can change as a result of contract negotiations, and members of the Laurier Pension Plan are represented on the Board of Governors and its pension committee. But for the most part, the employer (represented by the Board of Governors) makes the investment decisions and is responsible for the financial health of the plan.

As a Jointly Sponsored Pension Plan (JSPP), the UPP is managed by a Board of Trustees, which includes an equal number of employer- and employee-sponsored representatives. Members of a JSPP have as much say in decisions affecting the plan as their employers. But that representation comes with a shared risk that SEPP members do not have, at least not directly.

There are a number of large JSPPs in Ontario, including the Ontario Teachers' Pension Plan, OPSEU Pension Trust (for public service employees), HOOPP (health-care workers) and OMERS (municipal workers).

These plans have provided secure pensions for many years. The size of these plans has allowed them to access higher-return investment opportunities and permitted richer diversification, which adds stability and preserves the defined benefits of their members. Further, unlike a SEPP, these plans have less risk of windup because they are multi-employer in nature as opposed to relying on the financial health of one institution.

When a plan is accepted into the UPP, its assets and liabilities are transferred, and pension benefits are subsequently paid by the UPP. But the accrued benefits that members of the Laurier Pension Plan held at the time of conversion would be replicated exactly by the UPP. After conversion, members would begin accruing a UPP pension based on post-conversion service. So, at retirement, members who were part of the Laurier Pension Plan would receive a pension consisting of two parts: one amount being what they had accrued in the Laurier Pension Plan up to the conversion date, and one for what they accrued under the UPP following the conversion. Plan members hired after joining the UPP would only receive one amount: the UPP pension.

Retiree pensions would not be affected by a conversion to the UPP. But the pension benefits and contributions of those who have yet to retire when the plan transferred would change. A different information booklet compares benefits and contributions under the Laurier Pension Plan to those under the UPP. This booklet will review how decisions about contributions, benefits and investments are made.

The UPP is governed by its joint sponsors.

The Joint Sponsors consist of six employer representatives (forming the Employer Sponsor Committee) and six employee representatives (forming the Employee Sponsor Committee). When it comes to decisions relating to benefits, the level of contributions or indexing of pensions, each committee has one vote, and two votes are needed to make a change.

The Employee Sponsor Committee is made up of three representatives from faculty associations and three non-faculty representatives. The University of Toronto Faculty Association, because of its size, has one guaranteed representative. The next two largest faculty associations, in terms of membership in the plan, jointly decide who to appoint as the second representative. The third faculty association representative is appointed by all of the remaining faculty associations in the UPP. Representation on the Employee Sponsor Committee is reassessed every four years.

Faculty associations that do not have a representative on the Employee Sponsor Committee are not without a direct voice, as the Committee is required to meet with all plan members twice a year.

The Joint Sponsors appoint a board of 13 trustees as the legal administrator of the UPP, with a fiduciary obligation to all plan members. The Board of Trustees is responsible for directing and overseeing the day-to-day administration of UPP, the hiring of the CEO and other staff, and the best investment strategy for plan members.

The trustees are appointed by the Joint Sponsors according to their expertise in pension management. The UPP has developed a skills matrix to help with appointments, and there is no requirement that the trustees be from the same universities as the sponsors. After an initial period in which terms are staggered, trustees will be appointed for three-year terms.

An important issue arising from the transfer of the pension is how to treat "going concern" deficits from the previous university plan (for a definition of this term, refer to the information booklet Understanding the Laurier Pension Plan). Members and employers at other universities do not shoulder the burden of debts accrued by another institution prior to it joining the UPP.

Any "going concern" deficit a plan holds when it joins the UPP remains the responsibility of the individual university, and it has to be eliminated by fixed special payments over a 15-year period. The UPP ensures that the burden of any debt a university brings into the UPP remains the responsibility of the institution holding the past service debt. The UPP re-values past liabilities annually for a 10-year period, adjusting the liability as it goes. A new 15-year payment schedule is started for any new liabilities arising from a university's past service debt, with gains on that same account being used to pay down previous liabilities.

JSPPs like the UPP are not subject to the same provincial regulations as SEPPs.

Because they are considered less likely to terminate because of the participation of multiple employers, they are considered more stable than SEPPs, and the government does not require JSPPs to fund Solvency deficiencies (for a definition of these terms, refer to the information booklet **Understanding the Laurier Pension Plan**).

The plan (in the UPP's case, through a vote of its Joint Sponsors) will decide for itself if it has unsustainable unfunded liabilities or deficits on a going concern basis. Like other JSPPs, the Joint Sponsors of the UPP have approved a funding policy that specifies funding levels at which decisions must or can be made. For example, if the plan is funded at or above 110%, the funding policy allows the Joint Sponsors to improve plan benefits (for future service) or reduce contributions. If the plan is underfunded, the Joint Sponsors might reduce benefits (for future service) or increase contributions.

Any increase or reduction may be instituted as a temporary measure. As noted above, in votes like these, both the Employee Sponsor Committee and the Employer Sponsor Committee must support the change. Contribution rates and benefit levels will no longer be determined through collective bargaining, as they are with the current WLU SEPP.

In a JSPP, the employees share an equal responsibility with their employers to ensure the plan's health, so the risk is now shared equally. In practice, of course, employees in a SEPP also have to pay for deficits (through cuts to operations, or through reductions in benefits or higher contributions that the employer demands in contract negotiations), but with JSPPs, shared governance clearly means sharing responsibilities.

There will be important changes in governance if you support a move from the Laurier Pension Plan to the University Pension Plan:

· Transferring the Laurier Pension Plan to the UPP means removing pensions from collective bargaining.

· Laurier will no longer have sole responsibility for administering or managing the pension plan.

· Employee representatives will have the same rights and responsibilities as employer representatives to decide on matters such as investment priorities.

· The university will be freed from making solvency payments under provincial regulations (see the information booklet **Understanding the Laurier Pension Plan**) beyond any deficit it holds at the time it enters the UPP. This means university operations will not be affected by short-term market fluctuations.

· There will be changes to the contributions you will make and the benefits you will receive. These changes are described in the information booklet **Comparing University Pension Plan and Laurier Pension Plan Contributions and Benefits.**