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LAURIER PENSION PLAN
COMPARED TO THE
UNIVERSITY PENSION PLAN

Considerations for WLUFA Members

May 26, 2022

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Agenda

Balancing act

Benefit and contribution comparison

Illustrations

Risk and security

UPP advantages – big picture

Questions

Note: Some information sourced from working group presentations and/or UPP webcast.

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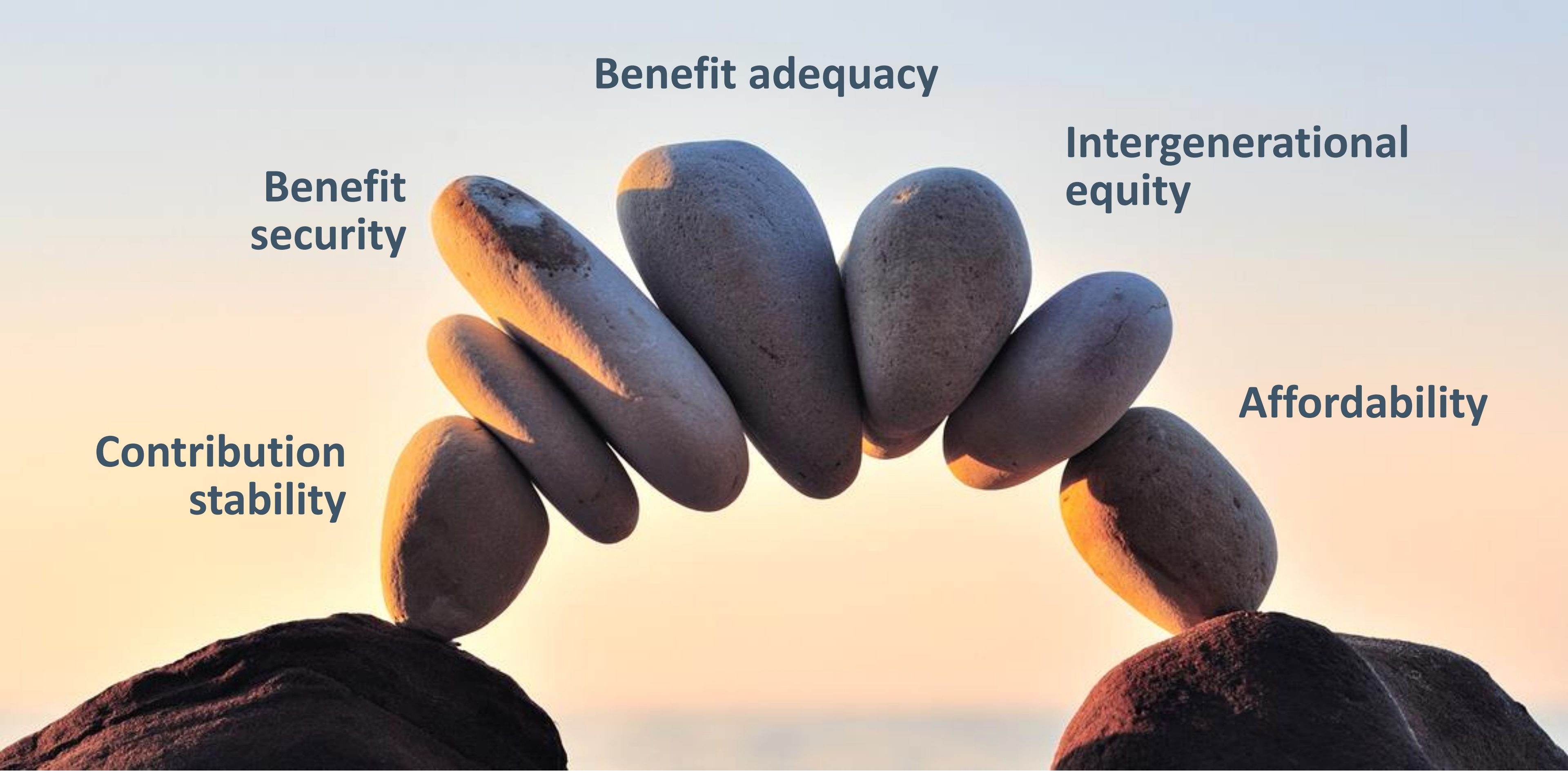
A balancing act



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Benefit and contribution comparison

LPP compared to the UPP

Only future service benefits would change

- Younger members have a greater impact
- Retirees not affected

One plan is not “better” than the other in all aspects

- Members will be affected differently depending on earnings level, service, marital status, date of retirement
- Impact of various plan provision changes move in different directions
- Think through how the changes might impact you as we compare the plans

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LPP compared to the UPP

LPP is a money purchase plan with a minimum guaranteed defined benefit (hybrid provision)

- “Better-of” determination made once a year throughout retirement
- Key to the comparison is long term bond rates
- Defined benefit has provided higher pensions in recent years
- Money purchase provision is not as valuable as it used to be, as times have changed since inception

UPP is a defined benefit plan only

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Defined benefit

Provision	UPP	LPP	
Best Average Earnings (BAE)	Best 48 months (non-consecutive)	Best 60 months (non-consecutive)	✓
YMPE/YAMPE	YAMPE	YMPE	X
Average YMPE/YAMPE	Last 48 months	Same 60 months as BAE	X
Benefit Rate (Below/Above YMPE/YAMPE)	1.6% / 2.0%	1.37% / 2.0%	✓

- Earnings = \$100,000, BAE5 = \$94,340, BAE4 = \$95,720 (3% salary increases)
- Service = 20 years
- YMPE = \$64,900, YMPE5 = \$59,700
- YAMPE = \$73,990, YAMPE4 = \$69,140
- LPP = (1.37% x 59,700 + 2% x (94,342 – 59,700)) x 20 = \$30,215
- UPP = (1.6% x 69,140 + 2% x (95,715 – 69,140)) x 20 = \$32,756
- ~ 8% increase for this example
- Timing of best earnings can make a difference

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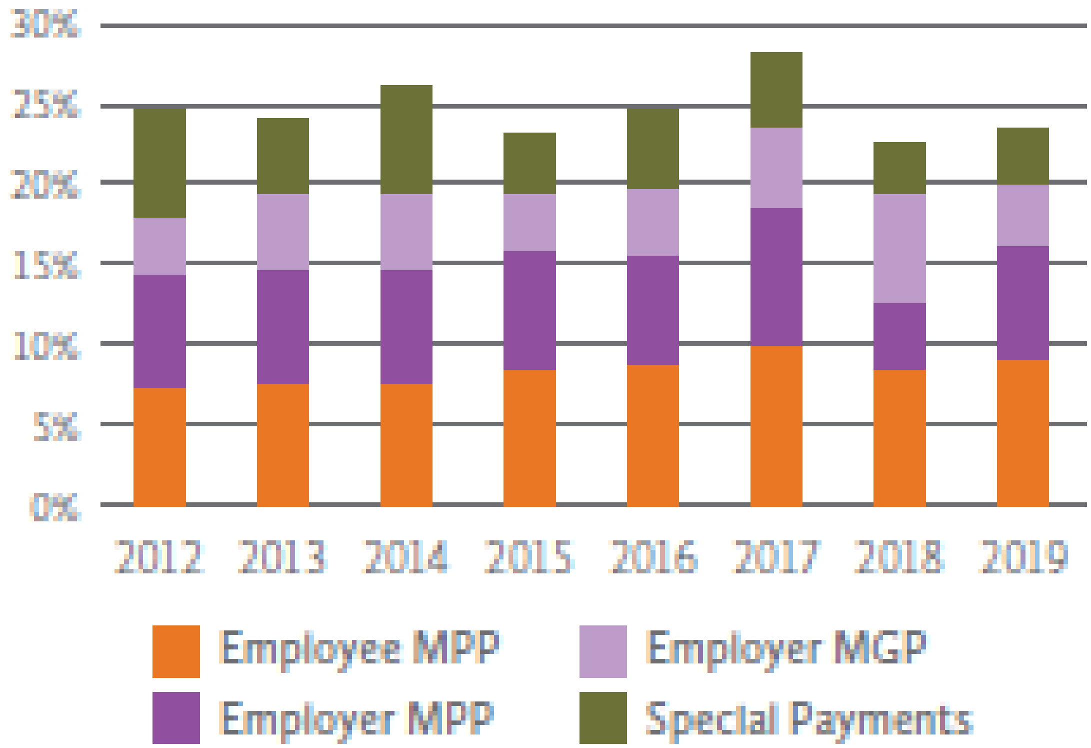
Contributions

Provision	UPP	LPP	
Contribution Rates	9.2% / 11.5%	8.0% / 10.0%	X
YMPE/YAMPE	YAMPE	YMPE	✓

- Earnings = $100,000
- YMPE = $64,900, YAMPE = $74,000
- LPP = 8% x 64,000 + 10% x (100,000 – 64,900) = $8,702
- UPP = 9.2% x 74,000 + 11.5% x (100,000 – 74,000) = $9,798
- ~ 13% increase for this example
- On average, members will contribute about 15% more
    - On average ~ 10% of earnings
- Member/university split was ~ 45%/55%, will now be 50%/50%
- Members also jointly share funding risk over longer term
- More stable funding for university

Past contributions



Source: December 10, 2020 Multi-Lateral Working Group UPP presentation.

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Early retirement

Provision	UPP	LPP	
Unreduced Early Retirement	Age 60 & 80 points	None	✓
Reduced Early Retirement	5% per year from age 65	PRE 1/1/13: 2.5% per year for ages 55-59 1.5% per year for ages 60-64 POST 1/1/13: 5% per year for ages 55-59 3% per year for ages 60-64	X

- Points = age + continuous service
- UPP better for longer service and retiring 60+
- Otherwise, LPP better

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Post-retirement death benefit (normal form)

Provision	UPP	LPP	
Normal Form (With/Without Spouse)	50% J&S / LG10	LG5 / LG5	✓

- UPP provides better normal form of pension for all members, with larger increase in value for married members
- LPP normal form is the same for all members

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Post-retirement indexation

Provision	UPP	LPP	
Post-Retirement Indexation	75% of CPI	PRE 1/1/13: 100% of CPI up to 4% POST 1/1/13: 50% of CPI up to 4.0%	✓
Type of Indexation	Conditional	Guaranteed	X

- UPP provides higher indexing
  - Conditional on the funded status of the plan – money in the bank first concept
  - Indexing is funded, so expectation is that it will be paid
- LPP provides for lower indexing, but is guaranteed

Commuted value

Provision	UPP	LPP	
CV Option at Retirement	No	Yes	X

- UPP does not allow commuted value payout
  - More typical of non-university sector plans
- LPP allows transfer of commuted value out at retirement
  - Advantage of controlling and investing fund
  - Risks of outliving savings
  - Historically selected by ~ 15% of members

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Return to work

Provision	UPP	LPP	
Return to Work after Retirement	No	Yes	X

- Upon reaching age 65, the UPP does not allow collecting a pension and working at the same time
- Allowed by LPP

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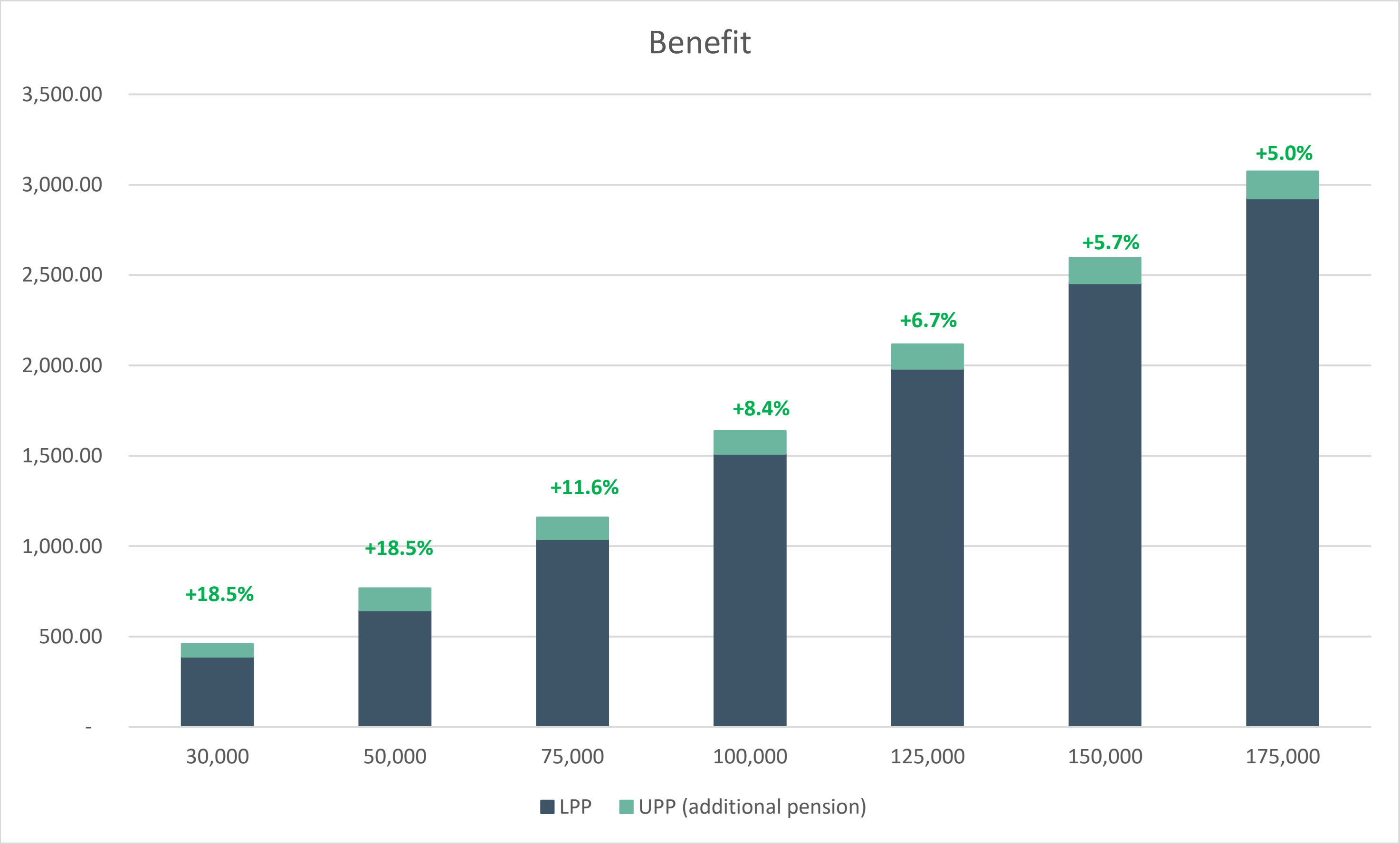
Supplemental plan

Provision	UPP	LPP	
Supplemental Plan	No	Yes	X

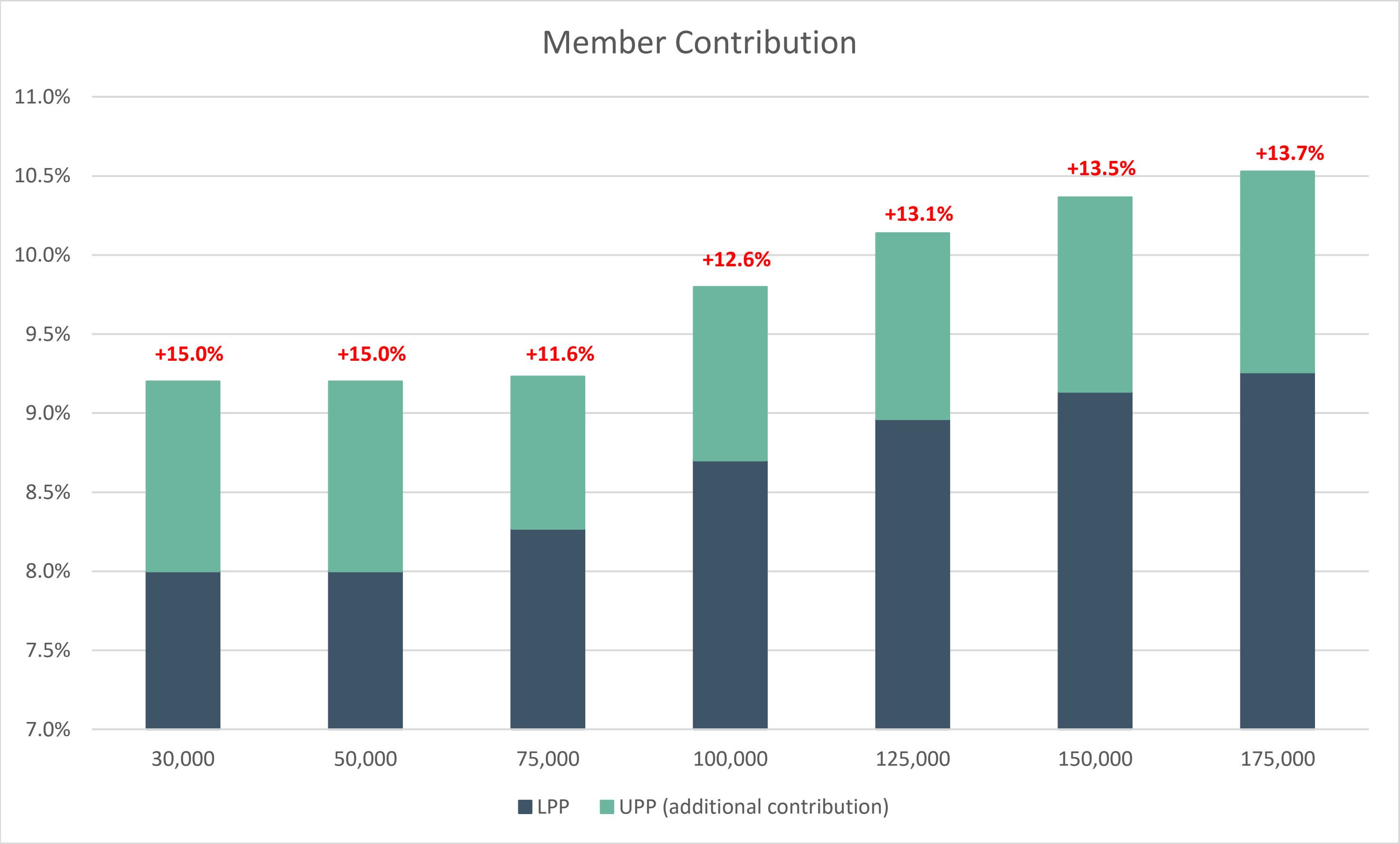
- Benefits under both the LPP and the UPP are limited to the maximum pension permitted under the Income Tax Act (ITA)
- Affects members earning over ~ $190,000

Illustrations

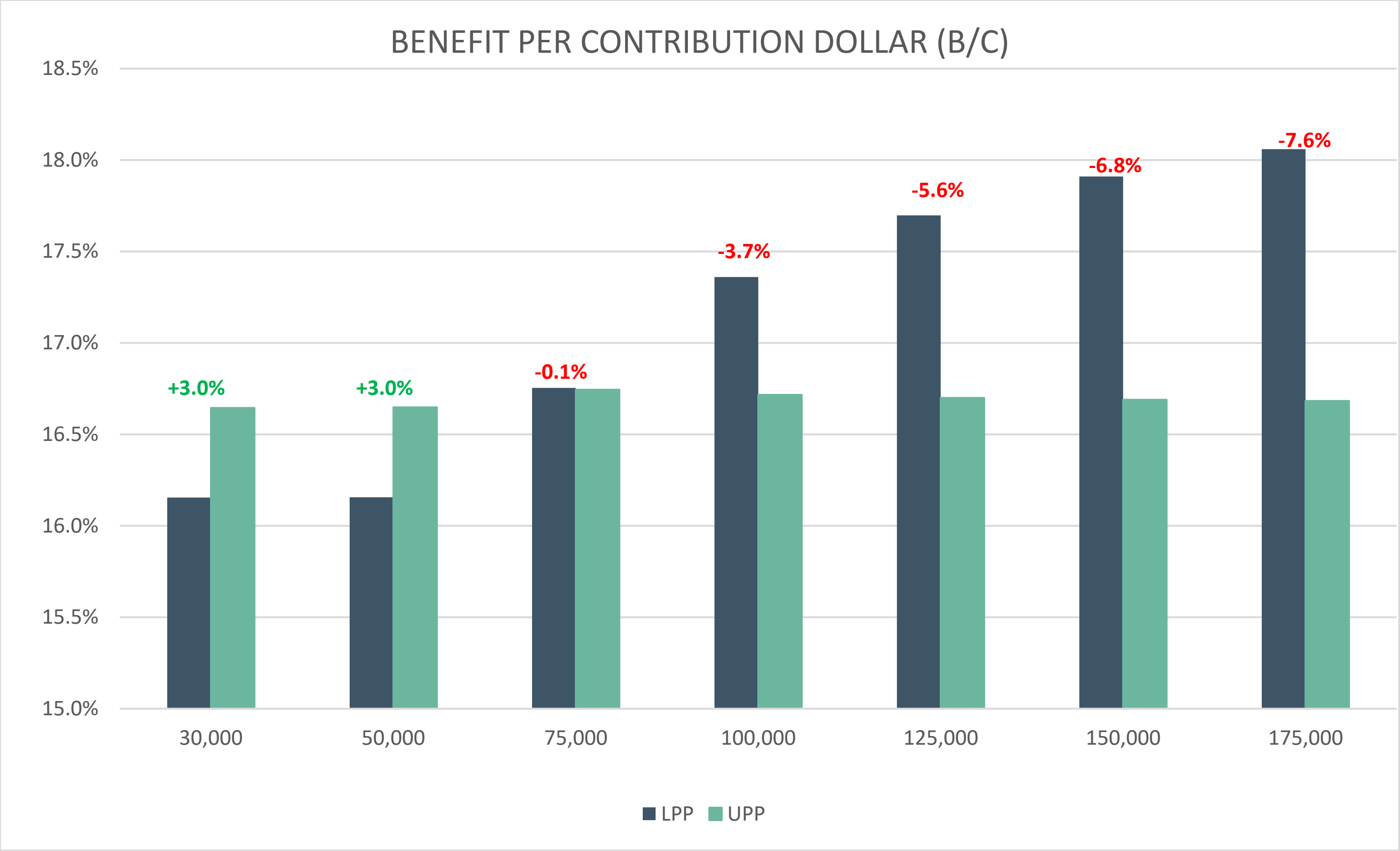
Benefit accrual (per year of service)



Member contribution (% of earnings)



Benefit per dollar of contribution



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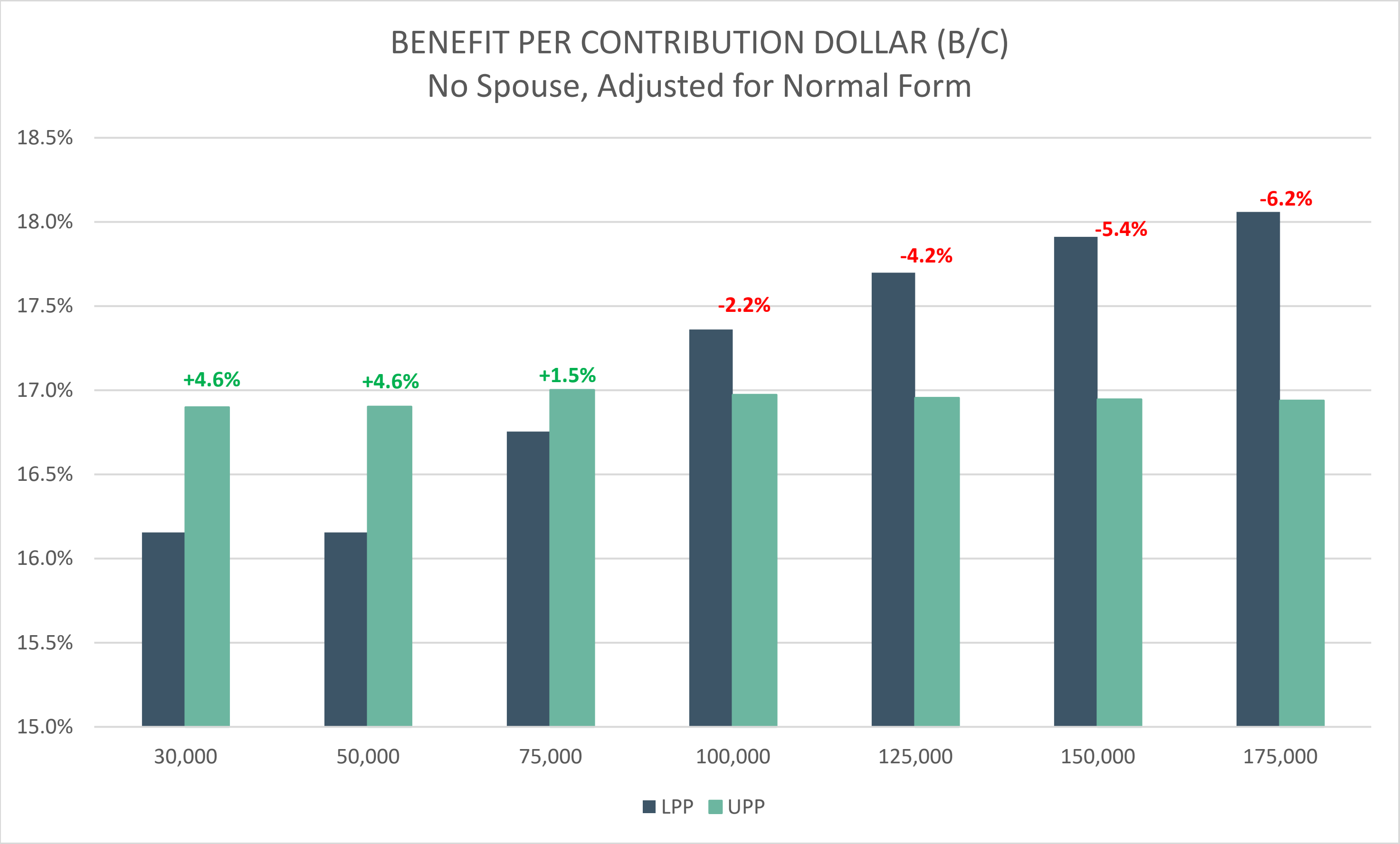
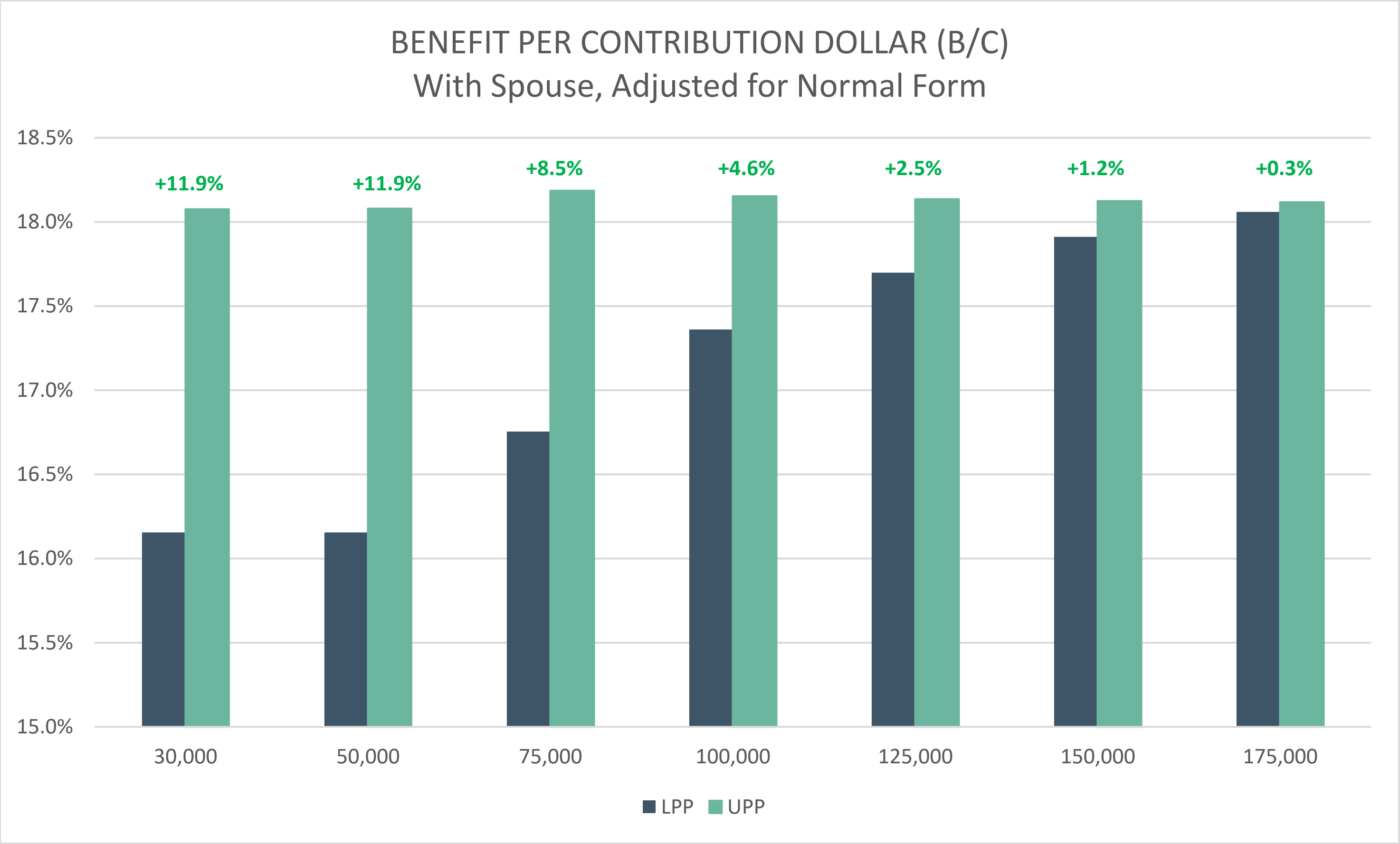
Benefit per dollar of contribution



Benefit per dollar of contribution



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Risk and security

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Risk sharing

LPP

- All funding risk currently borne by the university
- But members bear the benefit risk

UPP

- Funding risk shared equally between the universities and members, but reduced
- Gradual shift to equal sharing so that past deficits are not transferred to members or other universities
- Members still bear benefit risk, but also reduced

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Security

UPP

- Reduction in risk of wind-up or termination because of multi-employers
- Reduction in funding risk due to exemption from solvency funding requirements
- Reduction in investment risk resulting from access to larger-scale alternative assets (or conversely, increase in returns)
- Benefits will no longer be collectively bargained
- Security has a cost associated with it, built into Funding Policy (balancing act)

UPP advantages – big picture

UPP advantages – members

- More skilled investment management team *may* result in better performance
- Larger scale should generate additional investment opportunities (and reduced expenses?)
- Increased benefit security through reduced risk of plan wind-up and removal of pensions from CBA
- Members have equal say in plan design, funding and administration
- Facilitates easy transfer of benefits between participating universities without break in service

UPP advantages – university

- Reduced funding risk
- More stable and predictable contributions
- Relief from some financial pressures on universities caused by Ontario’s current pension funding rules (solvency)
- Removal of some administration and associated costs
- Reducing funding risk is of great value to the university

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Caring for the future…

now.

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