

**Union Pension Proposal for a  
Jointly-Sponsored Defined Benefit Pension Plan  
December 12, 2018**

**PREAMBLE**

The Union is prepared to discuss converting the existing Non-Academic Defined Benefit Pension Plan to a **Jointly-Sponsored** Defined Benefit Pension Plan (“JSPP”) at the University of Saskatchewan.

The JSPP model is well established in Canada and has been recognized internationally. The model sees Employers and members legally sharing the risks of funding secure defined benefits, while also sharing in the plan’s governance and decision-making processes. Many public sector plans across the country converted to this model in the 1990s and 2000s.

Recently, there has been another wave of conversions to the Jointly-Sponsored Defined Benefit model. These conversions include: Newfoundland and Labrador Public Service (2014), University of Prince Edward Island (2016) (no changes to benefits), the Regina Civic Pension Plan (2016), and the Toronto Transit Commission (2011). Conversions underway or under discussion include: Alberta Public Service plans (legislation awaiting Royal Assent, no changes to benefits), Ontario Workplace Safety and Insurance Board (agreement signed and sent for regulatory approval), Ontario University sector (agreed-upon current service cost = 20.25%), Memorial University (agreement signed, sent for regulatory approval, 20% current service cost), Simon Fraser University (agreement signed, in ratification process, structural risk sharing 60% employer, 40% member).

CUPE 1975’s proposal for a JSPP would:

- Reduce the University’s pension risks by 50%
- Reduce the benefit accrual rate in the Plan
- Reduce the University’s annual pension costs by approximately 2.3% of payroll, or ~\$1.8 million / year
- Ensure that future pension plan current service costs are shared on a 50/50 basis by active members and the employer
- Ensure that any future deficits are shared on a 50/50 basis by active members and the employer
- Ensure that any increased cost resulting from future changes in actuarial assumptions are shared on a 50/50 basis by active members and the employer
- Resolve the current dispute over pension governance by establishing a simple and clear governance process that gives the parties equal voice in the sponsorship and administration of the plan that will separate plan decision-making from collective bargaining
- Shift the responsibilities of plan administration from the University to a structure where this responsibility is shared by a joint board

- Follow a widely-supported and innovative national trend in pension design and pension reform to share risks and plan governance between members and employers

**The Union strongly feels this proposal is a fair compromise that satisfies many of the Employer's concerns regarding risk and cost, while still delivering the secure retirement benefits that are so important to members.**

## **PROPOSED FRAMEWORK**

**This offer is a package proposal, is open for acceptance in full, but not in part. This offer is subject to review and approval of a Memorandum of Agreement setting out these terms and conditions, which shall include the changes to the pension plan text. This offer replaces our previous pension offer and forms part of our comprehensive offer to settle.**

### **Effective Date**

1. The effective date of the amendments to the University of Saskatchewan and Federated Colleges Non-Academic Pension Plan (the "**Plan**") and the Plan's governance structure, as set out in greater detail below, shall be May 1, 2019 ("**Effective Date**") subject to the agreement in respect of transitional matters attached at Appendix "A" hereto (the "**Transition Agreement**").

### **Plan Governance**

2. At the Effective Date, the Plan will be amended to become a JSPP. The joint sponsors of the Plan will be CUPE Local 1975 (the "**Union**") and the University of Saskatchewan (the "**Employer**"), (collectively, the "**Sponsors**"). In addition, the Sponsors shall enter an agreement that sets out the roles and responsibilities of the Sponsors (the "**Sponsors Agreement**").
3. The Sponsors will appoint a Board of Trustees to administer the Plan (the "**Board of Trustees**" or "**Trustees**"). The Board of Trustees will administer the Plan in accordance with a Trust Agreement (the "**Trust Agreement**") to be negotiated by the Sponsors.

### **Board of Trustees and Trust Agreement**

4. The Trustees shall serve as the administrator of the Plan ("**Plan Administrator**") and associated pension fund (the "**Fund**") in accordance with the Trust Agreement whose terms are consistent with the terms of this Agreement.
5. The Trustees shall be responsible for the ongoing administration, operation, and investment of the Plan through their delegates and agents. The Trustees shall

select and monitor all service providers to the Plan the cost of which shall be paid from the Plan's Fund, subject to Paragraph [6] below.

6. After the Effective Date, reasonable pension Plan administrative costs would be paid from the Plan's Fund. Before the Effective Date, the Employer agrees to disclose to the Union all current costs that are charged to the Plan's Fund. Where such costs are reasonable and chargeable to the Fund, as determined by the Union, they will continue to be charged to the Plan after the Effective Date.
7. The Board of Trustees shall be composed of an even number of individuals, one half of whom is appointed by the Employer and one half of whom is appointed by the Union.
8. The Employer will appoint half of the individuals on the Board of Trustees under a process of the Employer's choosing.
9. The Union will appoint half of the individuals on the Board of Trustees under a process of the Union's choosing.
10. The Trustees will endeavour to make decisions by consensus. No decision will be binding unless it has the support of a majority of the voting Employer Trustees and a majority of the voting Union Trustees. An appropriate dispute resolution process will be prescribed in the Trust Agreement for breaking any deadlock, which will include a situation in which necessary Trustee business cannot proceed because of lack of consensus or majority support.
11. The Board of Trustees will function with a co-chair model whereby each of the Union Trustees and the Employer Trustees shall appoint one of the Trustees appointed by each of them to act as co-chair of the Board of Trustees. The co-chairs shall share such tasks and authority as required for the satisfactory operation of the Board, including the calling and chairing of meetings.
12. Trustees will be entitled to be indemnified out of the Plan's Fund for their reasonable costs, including legal expenses, incurred by them or one or more of them in connection with the conduct of trust business. The Trustees may purchase and maintain such fiduciary and errors and omissions insurance as they, acting reasonably, deem necessary. The cost of such insurance shall be paid for by the Plan's Fund.

#### **Plan Sponsors and Sponsors Agreement**

13. The Plan Sponsors shall be the Employer and the Union. Both the support of the Employer and the support of the Union will be required to carry all decisions of the Sponsors. The method by which the Union determines its vote will be at the Union's discretion. The method by which the Employer determines its vote will be at the Employer's discretion.

14. The Plan text, the Trust Agreement, the Investment Policy, the Funding Policy (as defined below) and the Sponsors Agreement, once established and/or amended, as appropriate, shall be subject to amendment only by the Sponsors in accordance with the process described in paragraph [13] of this Memorandum of Agreement. Such amendments shall be binding upon the Employer, Union and Plan members, former members, retirees and their beneficiaries.
15. Following the Effective Date, all actuarial assumptions and methods shall be determined by the Sponsors and communicated, in advance of any period of time to which those methods or assumptions may apply, to the Trustees, who may provide feedback and input to the Sponsors for the Sponsors to use in determining such methods or assumptions.
16. The Plan will not be terminated or wound up except in accordance with the Sponsors Agreement, which shall require the prior written consent of the Sponsors (being the Employer and the Union).

### **Funding of the Plan**

17. A funding policy (the “**Funding Policy**”) consistent with the terms of this Memorandum of Agreement shall be negotiated by the Employer and the Union and administered by the Trustees.
18. The Plan's current service cost after the Effective Date will be shared on a 50/50 basis by the Employer and active Plan members.
19. The Union and Employer agree to discuss an additional modest annual funding commitment to be committed to the Plan as at the Effective Date, above the current service cost to be allocated to the Plan in the interest of building up surplus and minimizing the likelihood of future unfunded liabilities.
20. A valuation shall be conducted as at April 30, 2019 (the “**Conversion Valuation**”). The actuarial assumptions used in the Conversion Valuation shall be the same as those used in the filed Dec 31, 2017 valuation, unless otherwise agreed between the Employer and the Union. Any special payment schedules from going concern deficits that arose in filed valuations before the Conversion Valuation shall continue to be paid by the Employer on their existing schedules, irrespective of any future actuarial gains. Should the Conversion Valuation reveal a new going concern deficit, this deficit shall also be amortized by Employer special payments on a 10-year schedule and shall similarly continue to be paid by the Employer for the duration of this schedule, irrespective of any future actuarial gains.
21. Subject to applicable law, new going concern unfunded liabilities arising in valuations performed after the Effective Date will be amortized over 10 years and shall be shared on a 50/50 basis by both the Employer and Plan members in accordance with the following principles:

- The Employer's 50% share shall be funded by an increase in contributions.
- The Union's 50% share shall be funded by an increase in contributions, or a temporary decrease in future benefit levels for active plan members, or a combination of the two. It shall be in the Union's sole discretion whether or not a future benefit reduction shall be used to assist in amortizing a funding deficiency. If a benefit reduction is chosen, an actuarial calculation performed by the Plan actuary will be used to determine the value of the reduction when determining the Union's 50% share.

For the purposes of clarity, the following are provided as examples of how this paragraph [21] is intended to operate:

- If the unfunded liability would require a 4% of payroll special payment obligation amortized over 10 years, and the Union does not choose to make any future benefit reductions, both the Employer and active Plan members will each be obligated to make special payments of 2% of payroll for a period of 10 years.
  - If the unfunded liability would require a 4% of payroll special payment obligation amortized over 10 years, and the Union chooses to make a temporary future benefit reduction worth 1% of payroll per year for 10 years, active Plan members will be obligated to make a special payment of 1% of payroll for a period of 10 years, and the Employer would be obligated to make a special payment of 2% of payroll for a period of 10 years.
22. The Employer will remain responsible for full termination and wind-up funding of all Plan liabilities, in respect of all service in the Plan (i.e., benefits accrued both pre- and post-Effective Date), in the event the Plan is terminated and wound up.
23. There shall be no hard cap or limit on contribution rates to the plan.

### **Indexation & Surplus Use**

24. Going concern plan actuarial gains or surpluses will remain within the plan until the plan is 120% funded.
25. When plan funding reaches 120% on a going concern basis, surplus above 120% shall first be used to retroactively restore any temporary benefit reductions that were implemented pursuant to paragraph [21] to the extent possible, provided that such amendments shall not cause the Plan's funded status to fall below 120%.
26. Should there be further surplus available beyond the action taken in paragraph [25], this surplus shall be used to deliver annual indexation to plan retirees, to a maximum of CPI, to the extent possible, provided that such amendments do not

cause the Plan's funded status to fall below 120%. This provision shall replace the Plan's current ad hoc indexation mechanism.

27. Should there be further surplus available beyond the actions taken in paragraphs [25 and 26], this surplus shall be used to retroactively improve the post-Effective Date 1.8% accrual rate to 2.0%, to the extent possible for all affected members, provided that such amendments do not cause the Plan's funded status to fall below 120%.
28. Should there be further surplus available beyond the action taken in paragraphs [25 through 27], this surplus shall be used to retroactively provide indexation to pensions in payment for years where indexing was not provided, provided that such amendments do not cause the Plan's funded status to fall below 120%.
29. The University and Plan Members shall be prohibited from taking a full or partial contribution holiday (the use of pension plan surplus and/or actuarial gains to reduce or eliminate the required annual contributions to the plan), unless such holidays are required by the *Income Tax Act*.

### **Plan Eligibility**

30. As of the Effective Date, the Plan's eligibility rules shall be amended such that membership in the Union shall be a condition for eligibility and continued active membership in the Plan. For greater certainty, members of the Plan at the Effective Date shall remain members of the Plan, regardless of Union membership as at that date.

### **Benefits**

31. The Plan will remain a Defined Benefit Plan unless otherwise agreed to by the Sponsors.
32. On the Effective Date, the accrual rate for future service in the pension formula shall be reduced from 2% to 1.8%. For greater certainty, all pensionable service will be used in the calculation of final earnings, for both the period where pension is accrued at 2% and the period where pension is accrued at 1.8%.
33. The Union and Employer agree to discuss the current practice of fully funding Long Term Disability pension costs from the Plan. Should the Union and Employer jointly agree to change this practice, the agreed upon changes would be made to the Plan as of the Effective Date.

### **Miscellaneous**

34. The Employer and Union shall negotiate in good faith and shall execute the further agreements required by this Agreement including but not limited to the Sponsors Agreement, Trust Agreement, Funding Policy, Investment Policy,

revised Plan Text, and such other agreements as are or may be required to implement the purpose of this Agreement, including any required changes to other existing plan policy documents.

35. The parties to this Agreement shall execute such amendments or further Letters of Understanding to the Collective Agreement between the Employer and the Union to provide only that the pension arrangements for bargaining unit members are as described in this Agreement, the revised Plan Text, Trust Agreement and Sponsors Agreement, as the case may be.
36. The Union and the Employer agree to make such agreements and take such actions, including actions to meet any regulatory requirements, as are necessary for performance of the terms of this Agreement.
37. From the date of execution of this Agreement, the Employer shall make no changes to the Plan, including but not limited to changes to benefits and/or contributions, any plan policy document, or any economic or actuarial assumption or methods used to value the Plan, without the prior consent of the Union.

#### **Preconditions**

38. The continuation of the provincial solvency funding exemption for the Plan shall be a pre-condition for this proposal to proceed.
39. Approval of the amendments to the Plan described in this MOA by applicable regulators shall be a pre-condition for this proposal to proceed.
40. If any of the preconditions to this MOA are not met for any reason, the Union and the Employer agree to make good faith efforts to bargain further terms and conditions of a conversion of the Plan to a JSPP and give full effect to the terms of this MOA, taking into account the reasons for the failure to meet a precondition.
41. In the event the Union and the Employer fail to implement the terms of this MOA and /or negotiate and conclude amendments to this MOA in accordance with its terms, the Union and Employer agree that the Plan shall continue as a Defined Benefit Plan on the terms and conditions of the Plan as at the date of this MOA, and that the following amendments shall be made to the Collective Agreement:

The following language shall be added to the Collective Agreement:

***Notwithstanding any other article of this Collective Agreement, notwithstanding any term of the Pension Plan, and notwithstanding any other document establishing the Pension Plan, any changes to the terms and conditions of the Pension Plan or pension arrangements (including contribution rates and the nature and level of benefits) require the prior written consent of the Union.***

And the following amendment shall be made to the Collective Agreement section 19.1

There shall be a Joint Union-Management Committee on Employee Benefit Plans (EBP) with equal representation for the Employer and the Union to study, review, and make recommendations concerning the pension, group insurance, long-term disability, dental, and extended health care plans. ~~Recommendations to make any substantive change~~ **Any substantive changes** to any EBP shall be subject to negotiation by the parties to this Collective Agreement and documented in a memorandum of agreement.

## **Appendix "A"** **Transition Agreement**

1. The Effective Date is May 1, 2019 or such other date as the Union and Employer may agree.
2. The new Board of Trustees will commence its role as Plan Administrator on May 1, 2019 or as soon after that date as is possible. In order to take over as Plan Administrator, at a minimum, the Trust Agreement must be completed and executed and the full Board of Trustees must be established.
3. In the event the Trust Agreement is not executed by May 1, 2019, or the full Board of Trustees is not established, or the Board of Trustees cannot act as Plan Administrator as at that date, there will be a transitional period, not longer than one year and ending on April 30, 2020, or the date on which the Board of Trustees assumes its role as Plan Administrator, if earlier (the "Transition Period") during which time the following terms will apply:
  - a. The Employer will continue to act as Plan Administrator, subject to the approval of the Union for all decisions of significance to the administration of the Plan, including entering into or renewing contracts for service to the Plan, determining actuarial assumptions or methodologies;
  - b. All existing contracts or service provider agreements (or arrangements if not in writing) will continue unchanged during the Transition Period. Any changes that may be required or desired must be approved by the Union;
  - c. Any decision required by the Agreement to be made by the Sponsors may be made jointly by the Employer and the Union.
4. The parties will immediately commence drafting the Sponsors Agreement and Trust Agreement with a view to having fully executed documents in place on May 1, 2019.
5. In all respects, the Memorandum of Agreement shall govern except as explicitly modified by this Transition Agreement.

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