

# All-Union Pension Discussions Update to our Members

CUPE 1356 – CUPE 3903 – IUOE 772  
– OHFA – YUFA – YUSA

March 1, 2013

# York University All-Union Pension Group (YUPG)

- Includes representatives of
  - CUPE 1356 (Custodial Services, Housing, Grounds, Maintenance)
  - CUPE 3903 (Contract faculty, TAs, GAs)
  - IUOE 772 (International Union of Operating Engineers)
  - OHFA (Osgoode Hall Faculty Association)
  - YUFA (York University Faculty Association)
  - YUSA (York University Staff Association)
- Retains independent actuary (from Eckler) and legal advisor (from Sack Goldblatt Mitchell), with additional expert advice provided by CUPE - National

# The Problem

- Size of plan's deficits → Employer obligations → substantial budget challenges for University
- Government pension legislation requires the underfunded amount be resolved by additional payments by the University in a fixed time period
- “Solvency relief” is a recent government program designed to extend the time period available to reestablish plan solvency
  - Stage 1 Solvency Relief application granted  
[www.yorku.ca/hr/documents/Pension\\_Submission.pdf](http://www.yorku.ca/hr/documents/Pension_Submission.pdf)

# Actuarial Valuation of York's Pension Plan

- Pension Assets fund 82.5% of the estimated payments from the Plan **at December 31, 2011** → **YU plan under-funded by 17.5%**
- Market Value of Assets at 12/31/11 falls short of the estimated present value of benefits to pensioners (current and future) by \$283M
  - Market Value of Assets **\$1,337.5M**
  - Less Estimated Pensioner Liabilities: (\$639M)
  - Less Estimated Active Members Liability: } = **\$1,620.5M**
    - Money Purchase Balances (\$726.3M)
    - Minimum Guarantee Liability (\$255.2M)
  - Equals “Going-Concern” Deficit = **\$283M**
- On average for 2005/06/07/10, the underfunded ratio was **5.1%** of benefits, which then defines York's **Solvency Relief Savings Target**

# Process to Date

Meetings	Winter 2011	Fall 2011	Winter 2012	Fall 2012	Winter 2013
Mercer + University & Employee Reps	2010 Plan Valuation		2011 Plan Valuation		
Aon Hewitt + University & Employee Reps	Solvency Relief Legislation Application		University/Aon Hewitt proposes plan changes		
YUPG		YUPG Objectives & Protocols identified	Possible plan changes identified, independent cost estimates obtained and reviewed by YUPG		YUPG develop proposals for plan changes

# YUPG Objectives and Considerations

- Discuss YUPG principles for pension plan changes, share information, obtain and review independent costing of plan changes
- Seek mutual agreement with the Employer on changes to the York University Pension Plan that
  - will reduce the current pension plan deficits,
  - are affordable, and
  - are structured to maintain acceptable levels of risk.
- Compare cost estimates of plan changes with the 5.1% Savings Target

# YUPG and University Guiding Principles *(differences)*

## YUPG

- Open, transparent, consultative process
- No changes for existing pensioners
- Protection of accrued benefits (per pension law)
- Maintain hybrid nature of plan

## University Application for Solvency Relief March 22, 2011

- Open, transparent, consultative process
- No changes for existing pensioners
- Protection of accrued benefits (per pension law)
- Maintain hybrid nature of plan *conditional on limiting University's downside risk*

# YUPG and University Guiding Principles (cont'd)

## *(differences)*

### YUPG

- Ensure plan *affordability*
- *Meet savings target* for solvency funding relief
- Protect initial pension as at date of retirement
- Provide demographic equity
- *Consider increased—and fairly allocated—contributions as the primary means of achieving affordability*
- *When pension plan in a surplus position, member contribution increases to be reversed*

### University Application for Solvency Relief March 22, 2011

- Ensure plan sustainability
- Meet metrics for solvency funding relief (savings target, reduce plan's risk)
- Protect initial pension as at date of retirement
- Provide demographic equity
- *Change plan governance to reflect risk sharing structure*



# Possible Changes to the Pension Plan

## YUPG and University Proposals (*differences*)

### YUPG

- Increase employee and University contributions to Money Purchase (MP)
- Conversion of MP balance to pension: ensure reasonable mortality assumptions
- Lengthen indexation averaging period
- Normal Form: no changes

### University Proposals

- Increase employee and University contributions to Money Purchase
- Conversion of MP balance to pension: *decrease interest rate*, increase mortality rates used for conversion
- *Remove non-reduction guarantee post retirement only (initial pension guaranteed)*
- Lengthen indexation averaging period
- *Normal Form: change 50% joint-and-survivor pension to life only or life guaranteed 10 years*

## Possible Plan Changes: Estimated Member Costs

<b>Sample Salaries</b>	<b>Current Provisions</b> - 4.5% up to YMPE, 6% above YMPE - JS50/Life - NRR/index up/4yr	<b>Increased Contributions</b> - 7% /9% - JS50/Life - NRR/index up/6yr	<b>AON/Hewitt Changes</b> - 6.25%/8.5% - Life10 - NRR/6yr
<b>\$50,100</b> = 2012 Year's Maximum Pensionable Earnings (YMPE)	\$2255/year or \$188/month	\$3507/year or \$292/month	\$3131/year or \$261/month
<b>\$100,000</b>	\$5249/year or \$437/month	\$7998/year or \$667/month	\$7373/year or \$614/month

# “Normal Form” versus Spousal Pension Benefits

- “Normal Form”
  - is the usual way a member’s pension will be calculated, per plan text
  - defines the base line pension benefit for retiring members
  - is currently 50% Joint and Survivor (JS50) for married retirees and life only for single retirees
- Spousal Benefits - Pension legislation requires that the amount of pension payable to a surviving spouse must not be less than 60% of the pension paid to the member, unless explicitly waived by spouse on member’s retirement
- At retirement, each member has a number of options for how exactly she/he wants their pension paid out: JS50, JS60, JS100, life only, life+10 etc. Monthly pension paid is adjusted so that expected actual payments under a retiree’s chosen option are of equivalent value to the pension payable calculated for the normal form (but with some exceptions).

# Normal Form of Pension – An Illustration

My minimum guarantee formula pension is \$1,000 per month.

How would my pension be adjusted based on a "Life 10" normal form?

	Married Member			Single Member		
	current plan	illustrated alternative	% change	current plan	illustrated alternative	% change
Life only	<b>\$1,000*</b>	\$1,025	+2.5%	<b>\$1,000</b>	\$1,025	+2.5%
Life 5	<b>\$1,000*</b>	\$1,018	+1.8%	\$993	\$1,018	+2.5%
Life 10	<b>\$1,000*</b>	<b>\$1,000</b>	-	\$976	<b>\$1,000</b>	+2.5%
Life 15	<b>\$1,000*</b>	\$974	-2.6%	\$950	\$974	+2.5%
J&S 50%	<b>\$1,000</b>	\$960	-4.0%			
J&S 60%	\$987	\$948	-4.0%			
J&S 100%	\$940	\$903	-4.0%			

*Calculations are for illustration only. Actual calculations would depend on ages of member and spouse, and on actuarial assumptions adopted for administration of the York plan.*

*\*Under current plan, married members whose spouses waive the J&S benefit entirely do not receive a pension higher than the normal form. This is a restriction of the Income Tax Act.*

*Illustration assumes member and spouse both age 65, discount rate 6%, and mortality based on 50-50 male-female blend of 70% GAM-94 table with generational improvements after 2000.*

# What Queen's University did...

- Increased contribution rates:
  - from 4.5/6 to 7/9 for members
  - from 6/7 to 6/7.5 for Employer
  - Eliminated University contribution to non-reduction guarantee , funding it instead by a surcharge on money purchase balances at retirement
- Decreased prospective benefits:
  - Eliminated indexing on Minimum Guarantee pension
  - Lengthened the averaging period from 4 to 6 years
- No change to:
  - Minimum Guarantee formula ( $1.4\% \leq \text{YMPE} + 1.8\% > \text{YMPE}$ )
  - Normal form = Life guaranteed for 10 years

# Current Status of YUPG Deliberations

- Savings from alternative Plan changes suggest further calibration needed
- To achieve affordability will require significant increases in contributions
- Should we consider changes that reduce future liabilities/benefits?
  - Eliminate indexing on Minimum Guarantee pension or at least increase the indexing threshold to > 6%?
  - Convert Normal Form of JS50/Life to Life10 for all?

# For more information...

- On-line Pension and In-person Information from Pension and Benefits Office, including Pension Basics <http://www.yorku.ca/hr/services/employees/benefits.html>
- YUFA <http://www.yufa.org/retirees/>
- CUPE <http://cupe.ca/pensions>
- OCUFA <http://ocufa.on.ca/tag/pensions/>

# On your behalf...

CUPE 1356:	Walter Silva
CUPE 3903:	William Gleberzon, Mohan Mishra, Iouldouz Raguimov, Raj Virk
IOUE 772:	Andrew Johnston
OHFA:	Jinyan Li, Eric Tucker
YUSA:	Joanie Cameron Pritchett, Giulio Malfatti
YUFA:	Brenda Hart, Arthur Hilliker, Sue Levesque, Al Stauffer, Brenda Spotton Visano, Walter Whiteley

With advice and assistance from

Anthony Benjamin, Domenic Barbiero (Eckler Ltd)

Darrell Brown (Sack Goldblatt Mitchell LLP)

Russ Armstrong (CUPE – Regional)

Kevin Skerrett (CUPE - National)