TUFA PENSION
BRIEFING NOTE #1

On June 30th, our collective agreement will expire. As we work together to set our goals for this round, of bargaining it is important that we have a solid understanding of the complex issues we need to resolve. We know that the Trent faculty pension plan will again be central to this round of negotiations for both the employer and TUFA, and much is at stake.

Below, we provide a brief refresher on our existing pension plan and efforts in past negotiations to stabilize the plan. We also provide some details regarding unfolding events in the broader pension environment that will play a role in our mandate discussion over the next few months.

Why are pensions an issue in this round of bargaining?

We currently have a contributory single-employer pension plan sponsored by Trent University into which all faculty covered by the plan contribute 9% of their nominal earnings. Since the financial crisis of 2007/2008, many single-employer pension plans (including a number of university plans) have struggled under funding rules that require that each plan have sufficient funding to meet its obligations if it must be wound up immediately. In addition to regular current service contributions of 10.5% of members' nominal earnings, Trent University has been making significant special payments into the plan, in compliance with provincial legislation. These special payments cover both the solvency deficit (based on the anticipated cost of winding-up the plan) and the going-concern deficit (based on the gap between the pension's reserves and its obligations). In 2018, these special payments by the University amounted $5,925,175.

What solutions have we considered to resolve the funding issues?

Over the course of several bargaining cycles, TUFA and the Employer negotiated modifications to the existing plan to try and mitigate its deficit problems. Anyone interested in following the evolution of these modifications should refer to the four "Framework" agreements in the Collective Agreement (Appendices F, H, L, and R). Some of these changes have not yet come into effect, but without further negotiations, will become operational at the expiry of the current agreement. Specifically, the benefit accrual rate will change from 2.0% to 1.8% of final average earnings on pensionable service and the DISC component of the 2019 salary adjustment will be set to 0%.

As well, the parties have explored the possibility of migrating the TUFA Pension Plan into a larger jointly sponsored pension plan (a JSPP), a move that could eliminate some of the special payments the Employer is required to pay into the plan.

Practically speaking, there are two JSPPs with which the Trent faculty plan could merge: these are the Ontario Colleges (CAAT) plan, and a new plan being developed exclusively for Ontario's university sector called simply the University Pension Plan (UPP). TUFA was instrumental in the early development of the UPP and we continue to closely monitor the development of this plan.

Negotiation with the CAAT Plan

Early in 2013, TUFA began a dialogue with representatives of the CAAT plan about the possibility of migrating the TUFA pension arrangement into CAAT which, as a multi-employer, jointly-sponsored pension plan, already enjoyed exemption from provincial solvency requirements. By 2015, a framework for merging plans had been drafted and CAAT's Executive Director, Derek Dobson, made several informational presentations at several TUFA meetings (most recently, at the General Membership meeting on March 3rd, 2015). Although the CAAT Plan remains a viable option, TUFA's Executive decided against initiating the merger process as several provisions of the CAAT Plan (including its contribution rate) seemed less optimal than the parameters being discussed around the nascent University Pension Plan. The decision, therefore, was made to allow the UPP option to develop and then assess the relative merits of the two plans.

What is the current status of the UPP?

There are three lead universities developing the UPP – Toronto, Queen's, and Guelph. This group has completed the planning/design phase and local merger negotiations. Over the first two weeks of February, faculty associations at Toronto, Queen's, and Guelph will undertake an initial consent process to permit the migration from their current plans into the new UPP. The outcome of these votes will determine whether or not the UPP will be viable.

What are our next steps?

In anticipation of having the option of migration into the UPP available to us shortly, TUFA has retained a pension actuary, Cameron Hunter, to consult with us on the potential implications of migrating our registered plan into the UPP. At the Spring General Membership meeting on March 6th, you will have the opportunity to ask questions of Mr. Hunter. Please try to attend.

To facilitate deliberation on this important matter, we will provide additional briefing notes in the coming months. The first of these will outline the new plan's broad structure and terms as they compare with our current retirement arrangement, and the CAAT Plan;. The second will explain the consent and ratification processes for migration into an alternate plan.

The pension plan is just one issue in our upcoming negotiations, and we will need to consider our pension options in the context of all our goals for this round of bargaining.

For more information on the current funding status of our plan, the history of JSPP discussions at Trent and provincially, and recent government statements on funding, see the backgrounder on TUFA's website.