MEMORANDUM OF AGREEMENT

Amendments to the York University Pension Plan

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AGENDA

- The funded status of the York University Pension Plan ("YUPP")
- The solvency relief process
- Formation of the YUPG
- YUPG Principles
- The University Proposal
- The terms of the MOA
- Questions

YUPP - FUNDED STATUS

- 2012 actuarial valuation
  - Pension assets fund 87.3% of benefits earned
    - $220 million dollar going concern deficit
    - $350 million dollar solvency deficit
  - Going concern valuations use long-term economic assumptions (less volatile)
  - Solvency valuations use current market economic assumptions (more volatile)

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GOING CONCERN DEFICITS

- We have earned benefits, but the benefits have not been fully paid for
- How can the problem be solved? – Alternatives:
  - Investment returns increase enough to generate more plan revenue
  - Members contribute more to pay for benefits *already promised*
  - Employer takes more money out of the operating budget to cover the pension shortfall

SOLVENCY RELIEF

- 2007/2008 financial crisis plus low interest rates = severe underfunding of pension plans
- Government introduces two phase solvency relief in the broader public sector
  - Phase I – solvency special payments relieved
  - Phase II – longer amortization period for qualified plans
- To qualify for Phase II, must demonstrate substantial progress in achieving savings target
- For YUPP, savings target = 5.1% of benefits

FORMATION OF YUPG

- Strength in numbers
- YUPG membership:

CUPE 1356	CUPE 3903
IUOE 772	OHFA
OPSEU 578	YUFA
YUSA	

YUPG PRINCIPLES

- No changes for current retirees
- Maintain hybrid plan
- Any changes must be consistent with long-term Plan affordability
- No reduction in accrued benefits
- Maintain current benefit structure even if increased contributions req'd
- Mandatory solvency relief plan amendment review clause

THE UNIVERSITY'S MAY 2013 PROPOSAL

- Two phase negotiation agreeable
- 1/1/2014 increase to 6.75%/9.15%
- Elimination of NRR University contribution effective January 1, 2014
- 6-year averaging for indexing
- If concerns raised by Government re: Stage II proposal – reconvene to negotiate additional changes

YUPG ACHIEVEMENTS

- Phase-in of contribution increases over five increments
- Five-year moving average for indexing
  - Recognition of possible need for additional changes
    - Move to 6-year moving average
    - Additional negotiations
- Back-filling of the averaging period for years prior to retirement
- Protocol established for AUPC review of changes in Plan, actuarial and administrative practices
- University blocked from using surplus to pay MPP contributions
- Commitment to Phase II discussion of structural changes

MOA & THE SAVINGS TARGET

	Without higher contributions	**With** higher contributions	Estimated Employer savings
Present value of future benefits for active members at Dec. 31, 2011			
- money purchase accounts	$622.6M	$622.6M	-
- future member contributions	$211.9M	$315.3M	-
- future Employer contributions	$218.3M	$315.3M	($97.0M)
- future cost of minimum guarantee pensions	**$480.3M**	**$305.0M**	**$175.3M**
Total present value for active members	**$1,533.1M**	**$1,558.2M**	
Estimated total Employer savings			**$78.3M**
Employer savings percentage = $78.3M / $1,533.1 = 5.1% = Savings Target			

UNDERSTANDING THE POLITICAL CLIMATE

- CAAT membership
- 50/50 contribution target
- JSPP in return for risk-sharing
- Spectre of provincial election

QUESTIONS SUBMITTED IN OTHER PRESENTATIONS

- How much will I have to pay each month?
- How will the increased contributions affect my pension income?
- Why should we increase contribution rates at all? Why now? If the Solvency Deficiency decreases by say 50% in the December 2013 valuation, do the problems go away?
- Do we still have to make higher contributions if the Plan returns a surplus? Is there a sunset clause?
- How does this compare with other university plans?

YUSA MEMBER CONTRIBUTION ESTIMATES

Salary Band	Salary	Current 4.5%/6%	01-Mar-14 4.95%/6.63%	01-Sep-14 5.4%/7.26%	01-Mar-15 5.85%/7.89%	01-Sep-15 6.3%/8.52%	01-Mar-16 6.75%/9.15%
1A	$38,991	$1,754.60	$1,930.05	$2,105.51	$2,280.97	$2,456.43	$2,631.89
2A	$40,529	$1,823.81	$2,006.19	$2,188.57	$2,370.95	$2,553.33	$2,735.71
3A	$42,128	$1,895.76	$2,085.34	$2,274.91	$2,464.49	$2,654.06	$2,843.64
4A	$43,791	$1,970.60	$2,167.65	$2,364.71	$2,561.77	$2,758.83	$2,955.89
5A	$45,605	$2,052.23	$2,257.45	$2,462.67	$2,667.89	$2,873.12	$3,078.34
6A	$47,501	$2,137.55	$2,351.30	$2,565.05	$2,778.81	$2,992.56	$3,206.32
7A	$49,472	$2,226.24	$2,448.86	$2,671.49	$2,894.11	$3,116.74	$3,339.36
8A	$51,529	$2,325.24	$2,550.69	$2,782.57	$3,014.45	$3,246.33	$3,478.21
9A	$53,826	$2,463.06	$2,693.01	$2,938.30	$3,162.33	$3,405.73	$3,633.26
10A	$56,222	$2,606.82	$2,851.87	$3,112.25	$3,351.37	$3,609.87	$3,842.87
11A	$58,725	$2,757.00	$3,017.82	$3,293.97	$3,548.86	$3,823.13	$4,071.89
12A	$61,341	$2,913.96	$3,191.26	$3,483.89	$3,755.26	$4,046.01	$4,311.25
13B	$64,322	$3,092.82	$3,388.90	$3,700.31	$3,990.46	$4,299.99	$4,584.02
14B	$67,450	$3,280.50	$3,596.29	$3,927.40	$4,237.26	$4,566.50	$4,870.23
15B	$70,729	$3,477.24	$3,813.68	$4,165.46	$4,495.97	$4,845.87	$5,170.26
16B	$74,165	$3,683.40	$4,041.49	$4,414.91	$4,767.07	$5,138.62	$5,484.65
17B	$78,141	$3,921.96	$4,305.10	$4,703.57	$5,080.78	$5,477.37	$5,848.45
18C	$82,330	$4,173.30	$4,582.83	$5,007.69	$5,411.29	$5,834.28	$6,231.75
19C	$86,748	$4,438.38	$4,875.74	$5,328.44	$5,759.87	$6,210.69	$6,635.99
20C	$91,404	$4,717.74	$5,184.44	$5,666.46	$6,127.23	$6,607.38	$7,062.02
21C	$96,309	$5,012.04	$5,509.64	$6,022.56	$6,514.23	$7,025.29	$7,510.83

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EFFECT ON PENSION INCOME

- Long service members nearing retirement not likely to benefit from higher contributions
- Younger members likely to benefit from higher Money Purchase Account balances
- The "Retirement Planner" (https://www.yorku-ret.ca/) can help members estimate their own individual answer.

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IMPACT OF INCREASED CONTRIBUTIONS

- Increased affordability of current and future benefits
- Funding of existing benefits
- Option for senior plan members who work past age 65
  - Can opt to cease contributing to the Plan through mandatory contributions and instead put the difference in voluntary contributions

WHY NOW? WHY NOT WAIT FOR INVESTMENT RETURNS TO REBOUND?

- Without higher contributions, Going-concern deficit remains large, and future solvency deficits remain volatile
- Stage II Solvency Relief will be granted (or not) based on Solvency Deficit at 12/2013 valuation
- **If** "progress toward" Savings Target deemed inadequate by December 2013, Solvency Special Payments must be made to eliminate solvency deficit over 5 years (instead of 10 years)
- Solvency special payments paid from operating revenue may mean ***additional*** cuts to funding for paying staff

IMPACT OF FUNDING IMPROVEMENTS

- Assuming solvency deficit is cut in half by year-end 2013:
  - Without solvency relief, an additional $14 million would have to be paid from the University's operating budget (approx. 2% of the budget)
  - With Stage II solvency relief – amortized payments over 10 years – covered by budgeted amounts

WHY NO SUNSET CLAUSE?

- The increased University contributions are yours
- Why would we want to reduce these contributions in the future?
- University prohibited from taking contribution holidays for MPP contributions

HOW DOES THE MOA COMPARE TO OTHER SETTLEMENTS?

Plan characteristic	YU Pension Plan – MOA Proposed changes	QU Pension Plan (2012)
Contributions – Members	6.75% ≤ YMPE 9.15% > YMPE	6.00% ≤ YMPE 9.00% > YMPE
Contributions - Employer	6.75% ≤ YMPE 9.15% > YMPE	7.00% ≤ YMPE 7.50% > YMPE
Employer contributions to Non-reduction guarantee	Eliminated	Eliminated
Minimum Guarantee Indexing	Retained	Eliminated
Indexing averaging period	5 years (up from 4)	6 years (up from 4)
Minimum Guarantee Formula	1.4% ≤ YMPE + 1.9% > YMPE	1.4% ≤ YMPE + 1.8% > YMPE
Normal Form	JS50 (married) Life only (single)	Life guaranteed for 10 years

YUPG REPRESENTATIVES

CUPE 1356:	Walter Silva
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IOUE 772:	Andrew Johnston
OHFA:	Jinyan Li, Eric Tucker
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