



ECKLER

Lakehead University

Pension Town Hall

March 1, 2022

Table of contents

- Types of Pension Plans
- JSPPs 101
- Governance - SEPP vs. JSPP
- Available JSPP alternatives for Ontario Universities
- Conversion to a JSPP
- High level comparison of UPP and CAAT



Types of pension plans

Primary goal of a pension plan

To provide retirement income for the plan member's life after working

- Support financial security in member's retirement years
- Maintain a reasonable standard of living in retirement
- Facilitate workforce management
(i.e., members leaving and new members joining)

Common types of pension plans

Plan type	What it means
Defined benefit (DB) plan	<ul style="list-style-type: none">• Defines benefit to be paid based on plan terms (e.g., % salary x years of service)
Defined contribution (DC) plan	<ul style="list-style-type: none">• Defines contributions made to member accounts (e.g., 10% of compensation)
Hybrid plan	<ul style="list-style-type: none">• Combines elements of DB and DC plans
Jointly sponsored pension plan (JSPP)	<ul style="list-style-type: none">• Similar to a DB plan (based on a formula)• However, members must fund portion of shortfall, if one exists

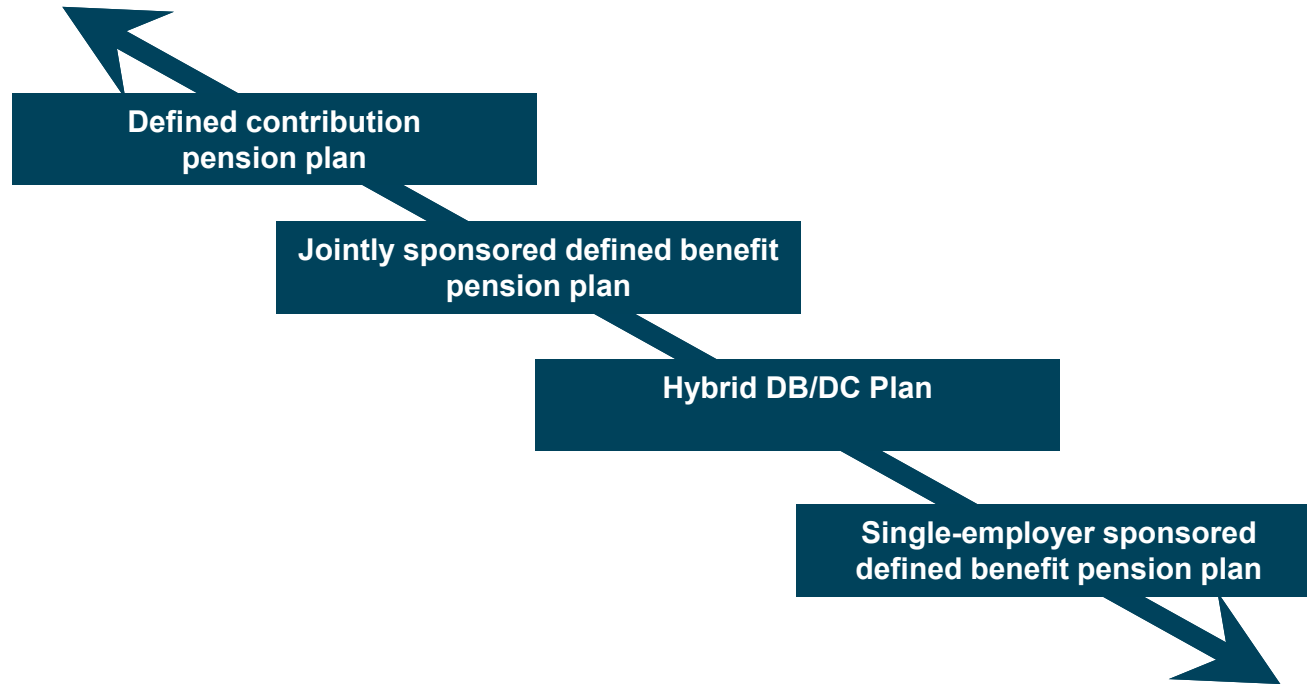
Common types of pension plans

Terms	DB	DC	Hybrid	JSPP
Benefit	Promised benefit set by formula	Amount provided by account balance	Max of DB base benefit and amount provided by account balance	Promised benefit set by formula but reduced on wind-up if under funded
Contribution rate	Whatever required to fund promised benefit	Fixed formula or fixed by collective agreement	Fixed formula/whatever required to fund DB base benefit	Fixed but adjusted if required to fund promised benefit
Contributions	Employer only or both employer and employee	Employer only or both employer and employee	Employer only or both employer and employee	Contributory, typically 50/50
Investment direction	By administrator. Focus on funding and investment performance	Typically by members. Focus on providing adequate investment options and providing education	By administrator. Focus on funding and investment performance	By administrator. Focus on funding and investment performance

Common types of pension plans



Risk to the member



Defined contribution pension plan

Jointly sponsored defined benefit pension plan

Hybrid DB/DC Plan

Single-employer sponsored defined benefit pension plan

Risk to the employer





JSPPs 101

What is a JSPP?

- Defined benefit
 - All Ontario JSPPs are defined benefit pension plans with benefits based on average earnings
- Jointly sponsored
 - Joint governance, through a Board of Trustees, where employer and member representatives have an equal say in plan design, funding, and administration

What is a JSPP?

- Cost sharing
 - Ongoing costs are shared between employers and plan members – *in JSPPs contributions are typically 50/50*
 - Members must fund a portion of shortfall, if one exists
- Risk sharing
 - Risks to plan funding are shared between employers and plan members
- Ongoing administration by a Board of Trustees
 - Appointed by the sponsors
 - Independent fiduciary responsibility to plan members
 - Employer and member representatives have equal say

What is a JSPP?

- Exempt from solvency funding. But,
 - Exempt from Pension Benefits Guarantee Fund (PBGF)
 - Pension can be reduced on wind-up if shortfall exists
- Most JSPP are multi-employer
 - Economies of scale
 - Greater risk sharing

JSPPs in Ontario

- The large public and broader public sector DB plans in Ontario are JSPPs. There are currently ten plans that are explicitly recognized as JSPPs and warranting different regulatory rules from other DB plans.
- Ontario JSPPs include:





Governance – SEPP vs JSPP

Governance - structure

Single-employer DB plan

- Employer has full control and responsibility
- Decision-making can be private

Multi-employer JSPP

- Sponsor board/Board of Trustees with member and employer representation
- Decision-making is shared and public

Governance – plan changes

Single-employer DB plan

- Changes to provisions and employee contributions negotiated through collective bargaining process
- Employer pays difference between employee contributions and pension costs

Multi-employer JSPP

- Sponsors/Trustees approve changes to provisions
 - Requires agreement by both employees and employers
- Contributions negotiated by Sponsors/Trustees based on funding need

Governance – plan administration

Single-employer DB plan

- Employer responsible
- May be delegated to a third party

Multi-employer JSPP

- Board of Trustees manages day-to-day aspects of plan
- Operations usually delegated to a third party

Governance – plan investments

Single-employer DB plan

- Employer oversees
- Defined long-term return objective
- Risk levels appropriate to employer

Multi-employer JSPP

- Board of Trustees oversees
- Defined long-term return objective
- Risk levels appropriate to Sponsors/Trustees



Conversion to a JSPP

Joining a JSPP

- The following options are available for single employer pension plans to participate in a JSPP:
 - A plan can convert to a JSPP
 - Members of a single employer plan can join an already established JSPP if that JSPP approves it
- There are currently two JSPPs that are possible options to explore for Ontario Universities:
 - University Pension Plan of Ontario (UPP)
 - CAAT Pension Plan in either:
 - the original “DBprime” offering; or
 - the new “DBplus” offering

Joining a JSPP

- When joining an already established JSPP, in addition to future service benefits, treatment of past service must be addressed
 - Process and options will depend on the JSPP and current plan type, i.e. DB, DC or Hybrid
 - UPP and CAAT could potentially allow the transfer of past liabilities into the plan, subject to approval by the plan's sponsors or trustees
 - What would be the terms of the transfer? Is there a “cost” to transfer pension plan risk to another party?

Joining a JSPP for Future Service

- Joining a JSPP for future service would require several steps
 - All parties are involved including current plan sponsor, the members/unions and the sponsors/trustees of the JSPP
 - Same steps apply whether currently DB, DC or Hybrid
- Considerations include:
 - Contribution level
 - Benefits
 - Governance structure
 - Pension promise

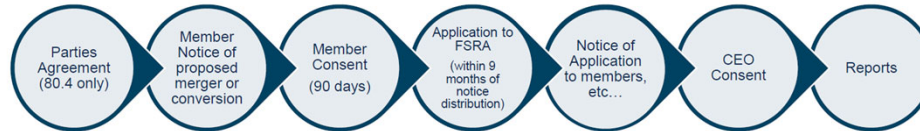
Joining a JSPP for past service

- Process and options for dealing with past benefits will differ for DC and DB plans
- Options for existing DC plans include
 - Wind up the existing plan
 - Members could have the option to transfer their Individual Accounts to the JSPP to purchase past DB benefits (if the JSPP permits), or an individual locked-in retirement account
 - Maintain existing plan for benefits earned up to the effective date of joining the JSPP

Joining a JSPP for past service

- Options for existing DB plans include
 - Convert to a JSPP
 - Terms to be agreed upon with JSPPs sponsors/trustees
 - Long process with number of steps, including member consent

SEPP to JSPP



- Maintain existing plan for benefits earned up to the effective date of joining the JSPP



Comparison of UPP & CAAT

Summary of UPP & CAAT

	UPP	CAAT DBprime	CAAT DBplus
Sponsors	<p>Employer Sponsor (currently: UofT, Queen's University, University of Guelph)</p> <p>Employee Sponsor (currently: UTFA, QUFA, UGFA, USW, CUPE)</p>	<p>OPSEU</p> <p>Ontario College Administrative Staff Association</p> <p>Ontario Colleges</p>	<p>OPSEU</p> <p>Ontario College Administrative Staff Association</p> <p>Ontario Colleges</p>
Governance Models	<p>UPP's governing bodies are:</p> <p>The Joint Sponsors:</p> <ul style="list-style-type: none"> determines contributions and benefits sets funding policy appoints Board of Trustees approves new participating employers and terms of entry into the UPP <p>The Board of Trustees:</p> <ul style="list-style-type: none"> sets the investment strategy establishes policies for administering benefits approves valuations 	<p>CAAT's governing bodies are:</p> <p>The Sponsors' Committee:</p> <ul style="list-style-type: none"> approves Plan amendments files actuarial valuations <p>The Board of Trustees:</p> <ul style="list-style-type: none"> sets the investment strategy establishes policies for administering benefits 	<p>CAAT's governing bodies are:</p> <p>The Sponsors' Committee:</p> <ul style="list-style-type: none"> approves Plan amendments files actuarial valuations <p>The Board of Trustees:</p> <ul style="list-style-type: none"> sets the investment strategy establishes policies for administering benefits
Ability to transfer past service into plan	With Joint Sponsors approval and under their terms	With CAAT approval and under their terms	With CAAT approval and under their terms

Summary of UPP & CAAT

	UPP	CAAT DBprime	CAAT DBplus
Contribution rate	<p>Member and Employer (each):</p> <p>9.2%/11.5% of pensionable salary below and above the YMPE*</p> <p>*effective January 1, 2025, the YMPE will be replaced with the YAMPE</p>	<p>Member and Employer (each):</p> <p>11.2%/14.8% of pensionable salary below and above the YMPE</p>	<p>Member:</p> <p>5% to 9% (set by employer)</p> <p>Effective January 1, 2022 “Contribution Choice” feature comes into effect</p> <ul style="list-style-type: none"> employers can offer member several contribution rate options to choose from member can choose to change rate <p>Employer:</p> <p>Matches member contributions and may contribute more</p>
Benefit formula	<p>1.6% of HAE4* up to the AYMPE4**</p> <p>+</p> <p>2.0% of HAE4 above the AYMPE4*</p> <p>*HAE4 – Average of highest 4 years of earnings (non-consecutive)</p> <p>**including YAMPE after 2024</p>	<p>1.3% of HAE5* up to the AYMPE5</p> <p>+</p> <p>2.0% of HAE5 above the AYMPE5</p> <p>*HAE5 - Average of highest 5 consecutive years of earnings</p>	<p>8.5% of contributions</p> <p>(i.e. 0.85% to 1.53% of pensionable pay)</p>

Summary of UPP & CAAT

	UPP	CAAT DBprime	CAAT DBplus
Retirement dates	<p>NRD = 65</p> <p>Earliest Retirement Date (ERD) = 55</p> <p>Earliest Unreduced Retirement Date (EURD) = earlier of:</p> <ul style="list-style-type: none"> age 60 with 80 points age 65 	<p>NRD = 65</p> <p>ERD = earlier of:</p> <ul style="list-style-type: none"> 55 50 with 20 years of pensionable service <p>EURD = earlier of:</p> <ul style="list-style-type: none"> age 60 with 20 years of pensionable service 85 points age 65 	<p>NRD = 65</p> <p>ERD = 50</p>
Early retirement subsidy	Early retirement reduction of 5% per year prior to NRD	Early retirement reduction of 3% per year prior to EURD	Early retirement reduction is between 3% and 5% (based on the Plan's Funding Policy) for each year prior to age 65. Currently, the reduction is 3%
Bridge benefits	None	0.7% of FAE5 up to AYMPE5	None

Summary of UPP & CAAT

	UPP	CAAT DBprime	CAAT DBplus
Pre-retirement Indexation	n/a Best average earnings formula so not needed while employed	In deferment period, the indexation is up to 75% of annual CPI, conditional on funded status	During employment, benefits may be increased up to the annual change in the AIW, conditional on funded status.
Post-retirement Indexation	In retirement, the indexation is up to 75% of annual CPI, but can be changed by the Joint Sponsors based on the Plan's financial health Guaranteed until 2028	In retirement, the indexation is up to 75% of annual CPI, conditional on funded status	In retirement, the indexation is up to 75% of annual CPI, conditional on funded status
Post-retirement death benefits	Single member: lifetime pension with 10-year guarantee Married member: Joint & Survivor 50% pension	Single member: lifetime pension with 5-year guarantee Married member: Joint & Survivor 60% pension with 5-year guarantee	Single member: lifetime pension with 5-year guarantee Married member: Joint & Survivor 60% pension with 5-year guarantee
Transfer in past service benefits on an individual basis	Can purchase past service under certain conditions	Can purchase past service under certain conditions	Can purchase past service under certain conditions



Questions?