



MEMO

To: All Active Members – Employees' Retirement Plan
Date: December 17, 2020
Subject: **Employees' Retirement Plan Update: New Contribution Rates effective February 8, 2021**

As a member of the University of Windsor Employees' Retirement Plan Reg. #0310573 (or "the Plan") we are writing to provide you with information on upcoming changes to the pension contribution requirements effective February 8, 2021.

Filing of New Valuation

Like many pension plans across Canada, the market turmoil stemming from COVID-19 and other global events have negatively impacted the financial status of the Plan in 2020. A meeting was held with the Employees' Retirement Committee and the Unifor Pension Advisory Committee on May 28, 2020 to review the implications of the market volatility on the Plan. There was a decision to prepare a new financial evaluation of the Plan – called an *actuarial valuation* - as at January 1, 2020 rather than wait until January 1, 2021, when the next actuarial valuation would have otherwise been required. Filing a valuation as at January 1, 2020, based on market conditions at that time, allows the University and plan members to have certainty over contribution requirements for the next three years. Many other pension plans have opted to do the same and file actuarial valuations at January 1, 2020 in order to avoid the market impact experienced in 2020.

Results of the January 1, 2020 Actuarial Valuation

As of January 1, 2020, the financial health of the Plan remains strong. When comparing the Plan assets to the present value of the promised benefits – called *actuarial liabilities* - the Plan is 109% funded on a going-concern basis and 93% on a solvency basis. However, as the outlook on economic conditions as of January 1, 2020 has deteriorated relative to those at the last valuation date of January 1, 2018, the new contribution rates resulting from the valuation will be higher than those currently in effect. The new contribution rates will remain in place until the next actuarial valuation which is no later than December 31, 2022. At the next valuation, contribution rates will be re-established.

New Contribution Schedule for the Plan

The current schedule of contribution rates was established based on the results of the last actuarial valuation as at January 1, 2018. The change in contribution rates from the prior schedules were phased-in over two periods. We will need to follow the same approach again in order to comply with legislative requirements.

- **Phase 1:** The first phase, which reflects the fact that pension costs have increased in light of changes in economic conditions, is retroactive to January 1, 2020. As such, retroactive contributions will be caught-up over 3 months, as required under pension legislation, starting with the pay period that begins February 8th, 2021.
- **Phase 2:** The University and member contribution rates decrease at the end of the 3-month catch-up period starting with the pay period that begins May 3rd, 2021.

The following table outlines the member and University current and new contribution rates:

Pensionable Earnings	Prior to Feb 8, 2021 Monthly Contribution Rate	New Contribution Rates	
		Phase 1 Feb 8, 2021 to May 2, 2021	Phase 2 May 3, 2021 to Dec 31, 2022
Earnings up to the YBE* of \$3,500	9.3%	10.0%	9.4%
Earnings above YBE and up to the YMPE of \$61,600	6.5%	7.0%	6.6%
Earnings above YMPE of \$61,600	9.3%	10.0%	9.4%
Aggregate Rate (approx.)	7.1%	7.6%	7.2%

*YBE = Year's Basic Exemption under the Canada Pension Plan

YMPE = Year's Maximum Pensionable Earnings under the Canada Pension Plan

Next Steps

These steps are being undertaken to ensure the long-term financial stability of the Plan. Based on the valuation results, higher contributions will be deducted from members' pay cheques starting with the pay period that begins February 8, 2021. At the same time, University contributions will also increase to these levels. Note that increased employee contributions to a defined benefit plan do not reduce the amount of RRSP room an individual accrues in a given year and are tax deductible.

Should you have any questions on this information, please contact your pension representative listed below or Ms. Cheryl Paglione, Executive Director, Pensions, Benefits & HRIS at ext. 2014, or by email to cheryl.p@uwindsor.ca.

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