Report on Special WUFA Membership Meeting regarding the Potential Changes to the University of Windsor Pension Plan

Tuesday, July 10, 2012 at 1 p.m. in the Katzman Lounge

Meeting was opened by Brian Brown, President, WUFA.
He introduced the guest speaker, Donna Gray, Research Director, OCUFA, and the local speaker, Nancy Ursel, Chair, Retirement and Benefits Committee, WUFA.

Donna Gray provided an overview of the proposed changes by the Ontario Government to the pension plans of Ontario universities. She emphasized the proposal would not affect the benefits, only the structures of our plans.

She noted that the 2012 Ontario Budget introduced several measures that will affect Ontario's public sector pension plans, including those in the university sector. The measures flow out of the Drummond report, Recommendation 7-27. They include:

• Consultations on a new legislative framework for jointly sponsored public sector pension plans ("JSPP's");

• The introduction of framework legislation in fall 2012 to **pool investment management** of smaller public sector plans; and

• The establishment as a goal of moving all single employer public sector plans to a **50-50 cost sharing arrangement within 5 years**, to adjust the solvency relief regulation to encourage this outcome, and to support the conversion of these plans to joint sponsorship.

This proposal, she said, was the Government's response to a financial crunch. The pension plans are becoming more expensive to run, so the government wants to reduce the pension plan costs.

OCUFA has completed one month of consultations on this issue with the COU president, Bonnie Patterson on June 15th, and will be meeting with Ministry of Training, College, and Universities Staff on July 12th to discuss the pension file.

OCUFA has submitted a brief to the Ministry expressing its concerns:

1. Size of the pool.

First the Government suggested to pool the University pension plan assets, which would amount to about $20 billion. Then the Government proposed to bring in other small groups, to raise the pool to $100 billion.
Analysis of management costs show that savings accrue when the pool grows to $5 billion; beyond that, savings level off. Therefore, accrual beyond $5 billion brings little benefit.
We argued for a voluntary entrance into and a voluntary exit from the pool.

2. Transition.

The transition will begin in 2013, after the consultations are completed.
We argued for proper transitioning.

3. Expectation of shared costs.

Over an adjustment period of 5 years, all pension plans are to share costs 50/50 between employer and employee. Presently the employer is responsible for the guaranteed minimum. The government, responding to its financial crisis, wants to bring down the costs of pension plans by having the employee pay half the cost.
We argued this should be negotiated over a 5-year transition period.

Donna Gray suggested what may come next: from investment pooling to **consolidation of plans**. But this is not a preferred option. OMERS, the biggest pension plan, proposed a week ago it could manage everybody, boasting of its low management costs. The challenges are as follows:

1. What we bargain for locally would then have to be bargained for provincially.
2. We may consider some benefits non-negotiable. What would we insist on protecting along with members of other institutions?

Nancy Ursel agreed that the pooling of funds might be an advantage in cost saving, given that now we have no influence on how our pension fund is managed. Merging pension plans would be dangerous, however. We have a great hybrid plan, but it is one of 2 or 3 (of the Ontario universities) that does not have a solvency deficit. Our going-concern pension deficit ($45 million) is among the smallest. In a pension merger, this advantage might be lost.

Following the presentation, a number of questions were raised from the floor:

1. If the government insists on shared costs, then what would happen to unfunded liabilities?

2. Mega plans give rise to mega problems. What say would we have on how our money is managed?

3. Mega fund managers will get Bay Street compensations. What control will there be on higher compensation and rising costs?

Donna Gray observed that the main questions are:

1. What is the ideal scale of pooling?

2. What would be the governance?

Brian Brown observed that the changes are proceeding quickly and need to be discussed. Legislation is being prepared for the fall to pool pension funds and to implement a transition in public pensions.

Ihor Stebelsky
Chair, Pension and Benefits Committee
Vice-President, WURA

P.S. Since this summary was written, a more detailed account of the meeting was reported in *The Badger*, Volume 4, Issue 37, July 2012.
A comparison of our plan to two others (Teachers' Pension Plan, Alberta U's), in terms of: a) net assets available for benefits, total membership, funding situation, and administrative expenses; b) annual percentage returns; and c) governance; was summarized in *The Badger*, Volume 4, Issue 38, July 2012.