

COUNCIL OF
ONTARIO UNIVERSITIES
CONSEIL DES
UNIVERSITÉS DE L'ONTARIO

Final Report of the Working Group on University Pension Plans

February 2010

About This Material

The Working Group on University Pension Plans was established to examine alternatives that would enhance the long-term viability and sustainability of university pension plans. In doing so, the mandate of the Working Group included consideration of the following:

- Feasibility of merging existing defined benefit pension plans and/or hybrid pension plans into one Ontario university multi-employer pension plan, into an existing multi-employer pension plan or other viable options as identified by the Ontario Expert Commission on Pensions.
- Feasibility of commingling some or all of the assets maintained in separate pension plans for investment management purposes to achieve economies of scale.
- Feasibility of establishing a university self-insured pension plan wind-up scheme.
- University-specific principles for going concern funding to maintain long-term health and viability of pension plans.
- The contributions/benefits relationship under university pension plans.
- Enhanced portability through a pension transfer agreement for Ontario universities (analogous to the pension transfer agreement in place for the Major Ontario Pension Plans (MOPPs)).
- Other recommendations in the Expert Commission Report that could be implemented for universities.

In connection with the above mandate, the Working Group established a workplan (included in the report as Appendix A) detailing the information to be gathered and the analysis to be prepared.

This Report has been prepared to deliver the information and analysis outlined in the workplan.

Contents

Executive Summary	1
Executive Summary	2
Summary of Information on Existing University Defined Benefit and Hybrid Pension Plans	6
Overview of Ontario University Pension Plans	7
Update on Funded Status and Special Payment Requirements	9
Table 1—Summary of Results From Last Filed Actuarial Valuation.....	11
Table 2—Update on Funded Status	12
Table 3—Update on Special Payment Requirements	13
Table 4—Summary of Estimated Going Concern and Solvency Special Payments.....	14
Impact of Adding Indexation to Solvency Liabilities.....	15
Agreements Covering Members in University Pension Plans	16
Table 5—Agreements Covering Members in University Pension Plans.....	17
Plan Governance	25
Stakeholder Consultation	26
Stakeholder Consultation	27
Comparison of University Pension Plans to Large Public Sector Pension Plans	28
Summary of Benefits for University DB Pension Plans and Public Sector Pension Plans.....	29
Table 6—Summary of Benefits for University DB Pension Plans and Public Sector Pension Plans	31
Table 7—Summary of Contribution Rates for University DB Pension Plans and Public Sector Pension Plans	32
Table 8—Summary of Provisions for University Hybrid Pension Plans.....	33
Comparison of Benefit Provisions for DB Plans.....	34
Table 9—Comparison of Benefit Provisions for DB Plans.....	35
Summary of Plan Changes and Surplus Utilization in Last Five Years	36
Summary of Plan Changes and Surplus Utilization in Last Five Years	37
Table 10—Changes in Benefits Since July 1, 2003.....	38
Table 11—Change in Member Contribution Rates Since July 1, 2003	39
Table 12—Surplus Used for Contribution Reductions Since July 1, 2003	41
Summary of Legislative Regimes for Universities in Other Provinces	42
Solvency Exemptions for Universities in Other Provinces	43
Table 13—Solvency Exemptions for Universities in Other Provinces	44
Common Investment Management	46
Current Models in B.C. and Alberta	47
Analysis of Current Asset Management Structure and Impact of Commingling Assets.....	49
Services Available From Public Sector Pension Plans	51
Services Available From Public Sector Pension Plans.....	52
High Level Questions for Public Sector Pension Plans Offering Services to University Pension Plans	53
Summary of Meeting With Public Sector Pension Plans	54

Contents (continued)

Benefit Security in the Absence of Solvency Funding for University Pension Plans	56
Pension Benefit Guarantee Fund Assessments	57
Table 14—Pension Benefit Guarantee Fund Assessments Based on October 31, 2008 Estimated Solvency Deficiencies.....	58
Appendix A—Workplan for Working Group on University Pension Plans	59
Working Group on University Pension Plans—Workplan for Information Gathering and Analysis	60
Appendix B—Pension Plan Governance Structure	62
Pension Plan Governance Structure.....	63
Appendix C—Presentation for Meetings With Stakeholders.....	80

Executive Summary

Executive Summary

As a result of the unprecedented situation in the financial markets, most universities are facing a pension funding crisis. Even with the pension funding relief introduced in the 2009 Ontario Budget, the required special payments will be unaffordable and will severely undermine the ability of many universities to fulfill their mission. The Working Group on University Pension Plans was established to examine alternatives for enhancing the sustainability of university pension plans and to avoid diverting operating dollars that support the academic mission to fund university pension plans as if the universities are wound up.

Goals for All Stakeholders

The Working Group believes that all stakeholders in the Ontario university system share the following goals with respect to university pension plans:

- To ensure an effective and sustainable pension system for Ontario universities, with reasonable risk sharing and greater cost certainty for universities and members.
- To continue to recognize the importance of pensions in the total compensation package for university faculty and staff.
- To have a system that facilitates the systematic retirement of faculty and staff with safe and secure retirement income.

Why Universities are Asking for a Solvency Funding Exemption?

University Revenues are Controlled by the Government

In general, government regulates the funding of universities and the tuition fees they can charge. On average, Ontario's publicly-assisted universities derive about 50% of their operating revenue from provincial operating grants and about 44% from student tuition fees, based on 2007/2008 data. With tight operating budgets and little capacity to generate additional revenue, the outcome is very direct—any additional pension costs divert spending from educating students. The provision of quality education is the universities' core mission which acts as the key guiding principle for all aspects of university business. Unpredictable and fluctuating solvency costs, in particular, go to the heart of this principle. They not only strain universities from a cash flow standpoint, but they also impact on universities' credit ratings and borrowing power—and ultimately their ability to fulfill their mission.

The Risk of Pension Plan Wind-Up is Small

The probability of institutional insolvency necessitating the wind-up of a pension plan is very small. Moreover, the publicly-assisted universities are unique among the broader public sector or private sector employers in that were there to be a plan wind-up because of institutional closure, the considerable land and capital assets owned by many of the universities would be available to defray any unfunded pension obligations. A merger of two universities would be more likely than a full closure of a university, and in this scenario a pension plan wind-up would not be triggered.

Five Provinces Have Already Provided Solvency Funding Exemptions to Their Universities

Alberta, Manitoba, Quebec, New Brunswick and Newfoundland have amended their provincial Pension Benefits Acts to specifically provide universities with a solvency funding exemption.

Summary of Findings in Connection With Mandate

Feasibility of Merging University Pension Plans Into One System-Wide Pension Plan or Into One of the Public Sector Pension Plans?

From the data presented in the report on bargaining structure, pension plan design, pension plan funding and services to be offered by the large Ontario public sector pension plans, the conclusion is that a system-wide pension plan would not be feasible:

- There are over 80 collective agreements/memorandum of agreements under which bargaining these approaches would be required. Within each university, there are numerous agreements with a wide range of expiry dates. Therefore, the scope and complexity of bargaining would be massive to merge existing pension plans into one system-wide plan or into one of the public sector plans.
- There are significant differences in current plan design. There are three types of pension plans—defined benefit, hybrid, and defined contribution pension plans—and then within each of these types of plans, numerous differences in even the basic plan features. Pension legislation alone would make it very difficult to bring the designs together.
- There is a wide range of funded statuses across Ontario university pension plans and the differences in funded status would have to be addressed in order to merge pension plans.
- Closing the current pension plans to new entrants and having all new employees join a new university sector plan going forward would not generate any cost savings and would create additional challenges in managing the liabilities of closed plans.
- There would be significant governance issues associated with all the Ontario universities joining one of the large public sector pension plans and, in general, these plans are more focused on providing investment management only services. As such, having universities join one of the public sector pension plans is not a feasible approach. However, commingling assets for investment management purposes under one of these plans remains an option to be considered.

Feasibility of Universities Individually Changing to a Jointly-Sponsored Pension Plan or Jointly-Governed Target Benefit Plan

The Report of the Expert Commission on Pensions recommended that solvency funding exemptions only be granted to jointly-sponsored pension plans, multi-employer pension plans and a new form of plan called a Jointly-Governed Target Benefit Plan.

The report includes an analysis of the current pension governance structures at Ontario universities and demonstrates that most universities have well-developed pension governance structures in which both active and retired members of the pension plan participate. Joint sponsorship requires joint risk sharing so there is little incentive for active and retired members of a university pension plan to take on more risk sharing for a slightly expanded role in governance, particularly in the current environment. Any change in governance and/or risk sharing structure would be subject to bargaining at most universities and given that the proposed conditions for solvency funding exemptions could result in a reduction in the current rights and entitlements of plan members, it is very unlikely that these conditions could be met without being legislated by the government.

Executive Summary (continued)

Feasibility of Commingling Assets Maintained in Separate Pension Plans for Investment Management Purposes

The report includes an analysis of current fund and fee structures and assesses, at a very high level, potential savings in investment management fees resulting from a commingling of assets for investment management purposes. In connection with the analysis, the Working Group met with two of the large Ontario public sector pension plans interested in broadening their service offerings to other plans.

The commingling of assets for investment management purposes remains a viable alternative for moving forward. Further analysis is required on ongoing fees and transition costs for a commingled asset management arrangement. Given the amount of work involved in that analysis, the Working Group is looking for feedback from the government on the proposed framework outlined below before undertaking the additional analysis.

Given the scope of the effort involved to make such a transition, the varying savings by university, and the potential transition costs, a solvency funding exemption for universities participating in such an arrangement would serve as a significant impetus for making this happen.

Feasibility of Establishing a Self-Insured Wind-Up Scheme

Based on the solvency deficiency estimates shown in this report, and based on the current Pension Benefits Guarantee Fund (PBGF) fee structure, the PBGF assessments for universities in the first year following the next filed actuarial valuation would total approximately \$6 million. Given the low level of guaranteed benefits under the PBGF and the fact that indexation is not one of the guaranteed benefits, the PBGF provides little security for members of university pension plans. If universities were granted a solvency funding exemption, it would likely follow that university pension plans would not be covered by the PBGF. A self-insured pension plan wind-up scheme could replace that with a higher level of coverage. As noted above, the Working Group is looking for feedback from the government on the proposed framework outlined below before undertaking the additional analysis required to further assess the feasibility.

University-Specific Principles for Going Concern Funding to Maintain Long-Term Health and Viability of Pension Plans

This has been addressed in the proposed framework for moving forward outlined below.

Contribution/Benefits Relationship Under University Pension Plans

The report includes a comparison of benefit provisions and contribution rates under university pension plans and the large Ontario public sector pension plans. The data shows that the public sector pension plans tend to have more favourable early retirement provisions (earlier eligibility for an unreduced pension and bridge benefits to age 65). Combined with the higher utilization of early retirement provisions in the public sector versus in universities, the total cost of the public sector pension plans tends to be higher, which in turn drives the level of member contribution rates.

Universities are in the process of bargaining increases in member contribution rates as current agreements expire. The report includes data on changes in member contribution rates from recent collective agreements at McMaster University and Trent University, as well as increases in member contribution rates at University of Waterloo through its Pension and Benefits Committee.

Executive Summary (continued)

Enhanced Portability Through a Pension Transfer Agreement for Ontario Universities

The Working Group received feedback from both university administrations and stakeholder groups that this would be welcomed initiative and should be expanded to include transfers to and from the broader public sector. Further work would be undertaken as part of the proposed framework for moving forward.

Proposed Framework for Moving Forward

The Working Group recognizes that fundamental changes need to be made to DB and hybrid pension plans at some universities in order to enhance the long-term sustainability of those plans. The plans need more **cost sharing** through reconfiguration of the employee/university contribution arrangements, more **cost efficiency** through initiatives such as commingling assets and a self-insured wind-up scheme, and more **cost certainty** which can be partly attained through plan redesign, but requires a solvency exemption from government to be successful.

To accomplish the three objectives requires the following commitments from universities who elect to participate and from the government.

Universities

1. A Formal Pension Funding Plan would be submitted by each participating university to the government which would include university-specific principles for going concern funding, a long-term funding policy and a specific plan of action to address any current going concern funding shortfalls.
2. Increases to member contribution rates and changes to plan design would be negotiated through collective bargaining. Employee/university cost sharing would be reconfigured to be more in line with public sector pension plans, recognizing the differences in risk-sharing arrangements.
3. Solvency valuations would continue to be included in the reporting requirements.
4. Limitations would be placed on contribution holidays (e.g., only permitted if certain conditions met such as market value of plan assets exceed solvency liabilities with indexation and a going concern surplus based on market value of assets).
5. Accelerated funding of plan amendments would be required (e.g., when the ratio of the market value of assets to solvency liabilities calculated including indexation is less than 0.9).
6. Commingling of university pension plan assets for investment management purposes would be required through a university-owned asset management entity, one of the public sector pension plans, or an external organization.
7. A university self-insured pension plan wind-up scheme would be created whereby participating universities would be required to self-insure the plan wind-up risk for the participating universities.
8. An Ontario University Pension Transfer Agreement would be established to facilitate the transfer of pension benefits for individuals transferring within the Ontario university system and to/from the broader public sector.

Government

A temporary solvency funding exemption would be provided for a period of three to four years during which universities electing to participate would abide by all the terms of this framework. Universities would be granted a permanent exemption at end of that period provided the framework has been fully implemented.

Summary of Information on Existing University Defined Benefit and Hybrid Pension Plans

Overview of Ontario University Pension Plans

This report focuses on the defined benefit (DB) pension plans and hybrid pension plans sponsored by Ontario universities. Hybrid pension plans, which are unique to the university sector, are defined contribution (DC) pension plans with an additional amount of minimum guarantee provided by a DB provision. Standalone DC pension plans have been excluded from the analysis in this report.

DB Pension Plans

The following universities sponsor DB pension plans:

University	Number of Plans	Total Participants at Last Filed Valuation	Market Value of Assets as of December 31, 2008 (000's)
University of Toronto	2	15,525	\$ 2,071,885
University of Ottawa	1	5,270	1,033,355
McMaster University	2	6,567	855,384
University of Waterloo	1	5,192	773,310
University of Guelph	3	5,030	755,162
Ryerson University	1	2,970	646,232
Trent University	2	1,089	176,449
University of Windsor	1	1,198	111,045
Victoria University (UofT)	1	241	25,767
St. Michael's College (UofT)	1	228	25,017
Trinity College (UofT)	1	114	18,857
Algoma University	<u>1</u>	<u>65</u>	<u>17,840</u>
Total	17	43,489	\$ 6,510,303

The number of plans above includes a closed pension plan for both University of Toronto and University of Guelph. However, employees who would have otherwise been eligible for these closed plans participate in another DB pension plan.

The McMaster University pension plan that covers certain hourly employees has recently been closed to new entrants for most of the eligible employee groups and replaced with a Group RRSP. The pension plan that covers salaried employees has been closed to new entrants from the management group effective June 30, 2009.

There have been no conversions of DB pension plans to DC pension plans.

Overview of Ontario University Pension Plans (continued)

Hybrid Pension Plans

The following universities sponsor hybrid pension plans:

University	Number of Plans	Total Participants at Last Filed Valuation	Market Value of Assets as of December 31, 2008 (000's)
Queen's University	1	6,202	\$ 1,110,481
York University	1	7,147	1,062,291
Carleton University	1	3,285	617,450
University of Windsor	1	1,211	252,407
Wilfrid Laurier University	1	1,921	226,821
Laurentian University	1	1,354	210,808
Brock University	1	1,545	207,611
Lakehead University	<u>1</u>	<u>740</u>	<u>176,212¹</u>
Total	8	23,405	\$ 3,864,081

There are essentially two types of hybrid pension plans distinguished by the manner in which the DB minimum guarantee is applied:

- (i) The comparison of pension benefits generated by the DC account balance is made to the DB minimum guarantee at the point of retirement.
- (ii) The comparison of pension benefits generated by the DC account balance is made to the DB minimum guarantee each and every year following retirement, which means the pension benefits attributable to the DC account balance can decrease based on investment return.

Under the Lakehead University hybrid pension plan, the DB minimum guarantee was eliminated for service after January 1, 1997.

DC Pension Plans (Excluded)

The University of Western Ontario, Nipissing University, the University of Ontario Institute of Technology, and the Ontario College of Art and Design sponsor DC pension plans that have been excluded from the analysis prepared in this report.

Union-sponsored plans to which some universities contribute are also excluded.

¹ Includes DC pension plan for staff since assets of hybrid pension plan and DC pension plan are commingled for investment purposes

Update on Funded Status and Special Payment Requirements

A University Pension Plan Financial Survey was prepared for the Ministry of Finance in December 2008 to assess the impact of the market downturn on the funded status of university pension plans on both a going concern and solvency basis and the resulting increase in contribution requirements. The survey was based on an October 31, 2008 calculation date for assets and liabilities.

The survey has been updated to June 30/July 1, 2009 and the following pages present the results of the updated survey. As with the October 31, 2008 estimates, the estimates of both the going concern and solvency funded status as of June 30/July 1, 2009 have been prepared using the market value of assets (i.e., no asset smoothing).

Table 1—presents a summary for each DB and hybrid pension plan of the funded status (going concern, solvency and wind-up) and contribution requirements from the last filed actuarial valuation.

Table 2—presents the updated estimated funded status based on the October 31, 2008 calculation date and the June 30/July 1, 2009 calculation date.

Table 3—presents the estimated special payment requirements based on the estimated funded status as of October 31, 2008 and June 30/July 1, 2009 (the special payments from the last filed actuarial valuation are also shown for comparison purposes).

Special payments have been calculated based on the estimated going concern unfunded liability and solvency deficit as of the calculation date. The going concern special payments have been determined based on a 15-year amortization of the estimated going concern unfunded liability starting from the calculation date. The solvency special payments have been determined based on a 5-year amortization of the estimated net solvency deficit (i.e., net of the present value of the first 5 years of going concern special payments) also starting from the calculation date. For each pension plan, the going concern special payments and the solvency special payments have been shown as both a dollar amount and as a percentage of the salary base of members participating in the pension plan (the special payments are a flat dollar amount so as salaries increase, the special payments will decrease as a percentage of the salary base).

For the updated survey, solvency special payments have also been calculated under the temporary solvency relief provision introduced in the 2009 Ontario Budget that allows for a solvency deficiency to be amortized over a 10-year period (net of the present value of the first 10 years of going concern special payments), subject to member consent. Since very few universities had a solvency deficiency under their last filed actuarial valuation (and for those pension plans that had a solvency deficiency, the amount was small), the temporary relief provision that allows for a re-amortization of an existing solvency deficiency over 5 years has not been analyzed since it will have little impact on university pension plans.

For a number of the hybrid pension plans, there are no solvency special payments showing. In most of these cases, there is a solvency deficiency; however, the first 5 years of going concern special payments cover that solvency deficiency. This may not be the case if any asset smoothing is used for the going concern valuation. The other issue faced by many of the hybrid pension plans is that the asset losses also have an impact on the current service cost creating additional current service contributions above the matching contributions.

Update on Funded Status and Special Payment Requirements (continued)

Table 2 includes the date of the next required valuation for each university pension plan. The filing dates have been summarized below in chronological order:

Next Required Filing	University	Type of Plan
December 31, 2009	Lakehead	Hybrid
	Wilfrid Laurier	Hybrid
July 1, 2010	Carleton	Hybrid
	Laurentian	Hybrid
	McMaster (Hourly)	DB
	Trent (Faculty)	DB
August 1, 2010	Guelph (three plans)	DB
December 31, 2010	York	Hybrid
January 1, 2011	Ottawa	DB
	Waterloo	DB
July 1, 2011	Algoma	DB
	Brock	Hybrid
	McMaster (Salaried)	DB
	Toronto (two plans)	DB
	Trent (Staff)	DB
	Windsor (Faculty)	Hybrid
	Windsor (Staff)	DB
August 31, 2011	Queen's	Hybrid
January 1, 2012	Ryerson	DB

Table 1—Summary of Results From Last Filed Actuarial Valuation

University	Date of Last Filed Actuarial Valuation	Market Value of Assets (000's)	Funded Status— Excess/(Deficiency) ¹			Contribution Requirements ²		
			Going Concern (000's)	Solvency (000's)	Wind-Up (000's)	Member Contributions (000's)	University Current Service Cost (000's)	Special Payments (000's)
Toronto	July 1, 2008	\$ 2,724,186	\$ (165,386) 0.94	\$ (65,541) 0.98	\$ (1,138,993) 0.71	\$ 33,896 5.3%	\$ 68,989 10.8%	\$ 14,795 2.3%
Toronto (OISE) (Closed)	July 1, 2008	\$ 105,856	\$ 1,652 1.02	\$ 3,129 1.03	\$ (35,188) 0.75	\$ 550 5.7%	\$ 1,302 13.4%	NIL
Queen's	August 31, 2008	\$ 1,367,123	\$ (79,549) 0.95	\$ (69,538) 0.95	\$ (69,538) 0.95	\$ 12,709 5.0%	\$ 20,949 8.3%	\$ 4,235 1.7%
York	December 31, 2007	\$ 1,320,388	\$ (44,116) 0.97	\$ 359 0.99	\$ (27,755) 0.98	\$ 16,584 5.4%	\$ 28,035 9.1%	\$ 4,836 1.6%
Ottawa	January 1, 2008	\$ 1,257,684	\$ 109,749 1.10	\$ 177,695 1.16	\$ (147,210) 0.90	\$ 12,414 5.5%	\$ 27,967 12.5%	NIL
McMaster (Salaried)	July 1, 2008	\$ 1,003,837	\$ (116,066) 0.90	\$ (86,031) 0.92	\$ (131,857) 0.88	\$ 14,240 5.4%	\$ 29,526 11.3%	\$ 8,425 3.2%
McMaster (Hourly)	July 1, 2007	\$ 33,567	\$ 1,047 1.03	\$ (3,444) 0.91	\$ (3,444) 0.91	\$ 441 3.4%	\$ 930 7.1%	\$ 777 6.0%
Waterloo	January 1, 2008	\$ 938,100	\$ 46,500 1.05	\$ 116,500 1.14	\$ (163,300) 0.85	\$ 15,100 5.9%	\$ 22,100 8.7%	NIL
Guelph (Professional)	August 1, 2007	\$ 661,581	\$ 66,184 1.11	\$ 464 1.00	\$ (42,886) 0.94	\$ 7,147 5.3%	\$ 12,818 9.6%	NIL
Guelph (Staff)	August 1, 2007	\$ 242,152	\$ 33,021 1.16	\$ 327 1.00	\$ (14,628) 0.95	\$ 4,106 5.4%	\$ 5,562 7.3%	NIL
Guelph (Non-Professional) (Closed)	August 1, 2007	\$ 15,841	\$ 7,135 1.82	\$ 5,755 1.58	\$ 5,083 1.48	\$ 16 3.0%	\$ 55 10.2%	NIL
Carleton	July 1, 2007	\$ 824,578	\$ (889) 1.00	\$ 15,054 1.02	\$ (19,878) 0.98	\$ 7,238 5.0%	\$ 10,592 7.3%	\$ 101 0.1%
Ryerson	January 1, 2009	\$ 650,601	\$ (52,236) 0.93	\$ 92,219 1.17	\$ (67,262) 0.91	\$ 11,329 6.9%	\$ 11,329 6.9%	NIL
Windsor (Faculty)	July 1, 2008	\$ 300,843	\$ (22,955) 0.93	\$ 20,646 1.07	\$ (30,492) 0.91	\$ 4,024 5.8%	\$ 7,367 10.6%	\$ 2,647 3.8%
Windsor (Staff)	July 1, 2008	\$ 131,341	\$ 4,696 1.04	\$ 16,639 1.15	\$ 16,639 1.15	\$ 2,163 4.7%	\$ 4,469 9.8%	NIL
Wilfrid Laurier	December 31, 2006	\$ 271,866	\$ (4,066) 0.99	\$ 3,906 1.01	\$ (36,520) 0.88	\$ 6,178 7.0%	\$ 7,766 8.8%	\$ 327 0.4%
Laurentian	July 1, 2007	\$ 250,222	\$ 7,994 1.03	\$ 7,446 1.05	\$ 7,446 1.05	\$ 2,722 4.1%	\$ 6,809 10.2%	NIL
Brock	July 1, 2008	\$ 253,876	\$ (4,023) 0.98	\$ 6,674 1.02	\$ (5,732) 0.98	\$ 5,353 5.3%	\$ 9,121 8.6%	\$ 421 0.4%
Trent (Faculty)	July 1, 2007	\$ 129,359	\$ 3,358 1.03	\$ (5,587) 0.96	\$ (5,587) 0.96	\$ 1,977 6.5%	\$ 2,186 7.2%	\$ 1,262 4.2%
Trent (Staff)	July 1, 2008	\$ 75,122	\$ (1,076) 0.99	\$ (8,886) 0.90	\$ (9,106) 0.89	\$ 1,517 6.5%	\$ 2,171 9.3%	\$ 814 3.5%
Lakehead (Faculty)	December 31, 2006	\$ 195,876	\$ (3,795) 0.98	\$ 3,428 1.37	\$ 3,428 1.37	\$ 1,476 N/A	\$ 1,887 N/A	\$ 1,714 N/A
Algoma	July 1, 2008	\$ 17,840	\$ (1,289) 0.93	\$ (143) 0.99	\$ (1,837) 0.91	\$ 241 7.9%	\$ 322 10.6%	\$ 173 5.7%
Total		\$12,771,839	\$ (214,110)	\$ 231,071	\$ (1,918,617)	\$ 161,421	\$ 282,252	\$ 40,527

¹ Calculated without any asset smoothing

² Reflects asset smoothing if used

Table 2—Update on Funded Status

University	Next Required Valuation Filing	Funded Status—Estimated Deficit as of October 31, 2008		Funded Status—Estimated Deficit as of June 30 / July 1, 2009 ¹		Market Value of Assets as of June 30, 2009 (000's)
		Going Concern (000's)	Solvency (000's)	Going Concern (000's)	Solvency (000's)	
Toronto	July 1, 2011	\$ 816,234 0.72	\$ 825,779 0.72	\$ 1,082,000 0.64	\$ 932,000 0.68	\$ 1,956,979
Toronto (OISE) (Closed)	July 1, 2011	\$ 17,171 0.84	\$ 19,976 0.81	\$ 36,100 0.67	\$ 33,200 0.68	\$ 71,729
Queen's	August 31, 2011	\$ 241,000 0.82	\$ 222,000 0.83	\$ 243,900 0.83	\$ 223,600 0.84	\$ 1,166,655
York	December 31, 2010	\$ 244,300 N/A	\$ 270,000 N/A	\$ 265,600 0.80	\$ 281,400 0.79	\$ 1,060,500
Ottawa	January 1, 2011	\$ 171,500 0.86	\$ 95,400 0.92	\$ 101,000 0.91	\$ 14,000 0.99	\$ 1,081,000
McMaster (Salaried)	July 1, 2011	\$ 299,164 0.74	\$ 294,342 0.74	\$ 302,000 0.75	\$ 251,000 0.78	\$ 886,000
McMaster (Hourly)	July 1, 2010	\$ 6,373 0.82	\$ 11,299 0.72	\$ 4,100 0.89	\$ 9,400 0.77	\$ 31,700
Waterloo	January 1, 2011	\$ 157,000 0.83	\$ 78,200 0.91	\$ 177,100 0.82	\$ 31,500 0.96	\$ 826,570
Guelph (Professional)	August 1, 2010	\$ 97,000 0.84	\$ 203,000 0.72	\$ 92,100 0.86	\$ 176,900 0.76	\$ 550,000
Guelph (Staff)	August 1, 2010	\$ 28,000 0.88	\$ 81,000 0.71	\$ 33,400 0.86	\$ 82,600 0.71	\$ 206,000
Guelph (Non-Professional) (Closed)	August 1, 2010	NIL	NIL	NIL	NIL	\$ 12,000
Carleton	July 1, 2010	\$ 123,200 0.84	\$ 148,500 0.81	\$ 116,900 0.85	\$ 110,200 0.86	\$ 656,427
Ryerson	January 1, 2012	\$ 43,700 0.94	NIL	\$ 67,400 0.90	NIL	\$ 661,166
Windsor (Faculty)	July 1, 2011	\$ 89,200 N/A	\$ 96,800 N/A	\$ 66,300 0.80	\$ 7,300 0.97	\$ 270,104
Windsor (Staff)	July 1, 2011	\$ 17,300 N/A	\$ 12,500 N/A	\$ 17,000 0.88	NIL	\$ 118,933
Wilfrid Laurier	December 31, 2009	\$ 32,900 0.87	\$ 32,700 0.88	\$ 88,400 0.74	\$ 37,400 0.87	\$ 250,930
Laurentian	July 1, 2010	\$ 36,023 0.85	\$ 4,190 0.98	\$ 36,800 0.86	\$ 5,800 0.97	\$ 224,338
Brock	July 1, 2011	\$ 17,428 N/A	NIL	\$ 24,500 0.90	NIL	\$ 221,000
Trent (Faculty)	July 1, 2010	\$ 32,824 0.76	\$ 55,873 0.65	\$ 31,300 0.78	\$ 46,700 0.70	\$ 109,100
Trent (Staff)	July 1, 2011	\$ 14,207 0.82	\$ 25,847 0.71	\$ 12,500 0.85	\$ 19,400 0.78	\$ 69,229
Lakehead (Faculty)	December 31, 2009	\$ 19,500 N/A	\$ 20,600 N/A	\$ 23,400 N/A	\$ 6,200 N/A	not provided
Algoma	July 1, 2011	\$ 4,500	\$ 2,960	\$ 4,000 0.80	NIL	\$ 15,879
Total		\$ 2,508,524	\$ 2,500,966	\$ 2,825,800	\$ 2,268,600	\$ 10,446,239

¹ As of December 31, 2008 for York and as of December 31, 2009 for Wilfrid Laurier

Table 3—Update on Special Payment Requirements

University	Annual Special Payments From Last Filed Valuation		Annual Special Payments Based on Estimated October 31, 2008 Deficits		Annual Special Payments Based on Estimated June 30 / July 1, 2009 Deficits		Annual Solvency Special Payments Based on June 30 / July 1, 2009 Deficits With 10-Year Amortization
	Going Concern (000's)	Solvency (000's)	Going Concern (000's)	Solvency (000's)	Going Concern (000's)	Solvency (000's)	
Toronto	\$ 9,789 ¹	\$ 5,006	\$ 84,325	\$ 98,886	\$ 117,726 18.4%	\$ 96,462 15.1%	\$ 3,885 0.6%
Toronto (OISE) (Closed)	NIL	NIL	\$ 1,774	\$ 2,655	\$ 3,727 38.4%	\$ 3,694 38.0%	\$ 394 4.1%
Queen's	\$ 4,235	NIL	\$ 24,304	\$ 24,962	\$ 24,897 9.6%	\$ 25,651 9.8%	\$ 5,592 2.1%
York	\$ 4,836	NIL	\$ 25,239	\$ 33,974	\$ 27,900 6.7%	\$ 35,400 8.6%	\$ 7,300 1.8%
Ottawa	NIL	NIL	\$ 17,453	\$ 3,688	\$ 10,000 4.0%	NIL	NIL
McMaster (Salaried)	\$ 8,425	NIL	\$ 29,045	\$ 39,407	\$ 32,000 11.6%	\$ 26,000 9.4%	\$ 7,000 2.5%
McMaster (Hourly)	NIL	\$ 777	\$ 619	\$ 2,009	\$ 500 3.4%	\$ 1,700 11.6%	\$ 700 4.8%
Waterloo	NIL	NIL	\$ 16,074	\$ 1,076	\$ 18,128 6.7%	NIL	NIL
Guelph (Professional)	NIL	NIL	\$ 10,021	\$ 35,028	\$ 9,500 8.0%	\$ 30,100 24.0%	\$ 12,506 10.0%
Guelph (Staff)	NIL	NIL	\$ 2,893	\$ 15,019	\$ 3,500 5.0%	\$ 14,900 21.0%	\$ 6,684 9.4%
Guelph (Non-Professional) (Closed)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Carleton	\$ 101	NIL	\$ 12,728	\$ 20,234	\$ 12,078 7.5%	\$ 12,857 8.0%	\$ 1,775 1.1%
Ryerson	NIL	NIL	\$ 4,569	NIL	\$ 6,909 4.2%	NIL	NIL
Windsor (Faculty)	\$ 2,647	NIL	\$ 9,078	\$ 12,404	\$ 6,723 9.2%	NIL	NIL
Windsor (Staff)	NIL	NIL	\$ 1,734	\$ 1,007	\$ 1,702 3.6%	NIL	NIL
Wilfrid Laurier	\$ 327	NIL	\$ 3,399	\$ 3,772	\$ 9,485 8.3%	NIL	NIL
Laurentian	NIL	NIL	\$ 3,722	NIL	\$ 3,797 5.0%	NIL	NIL
Brock	\$ 421	N/A	\$ 1,747	NIL	\$ 2,411 2.3%	NIL	NIL
Trent (Faculty)	NIL	\$ 1,262	\$ 3,391	\$ 8,862	\$ 3,231 9.3%	\$ 7,511 21.7%	\$ 3,211 9.3%
Trent (Staff)	NIL	\$ 814	\$ 1,468	\$ 4,200	\$ 1,289 5.4%	\$ 3,123 13.1%	\$ 1,491 6.3%
Lakehead (Faculty)	\$ 1,714	NIL	\$ 1,925	\$ 2,639	\$ 2,309 4.0%	NIL	NIL
Algoma	\$ 173	NIL	\$ 437	\$ 220	\$ 389 12.3%	NIL	NIL
Total	\$ 32,668	\$ 7,859	\$ 255,945	\$ 310,042	\$ 298,201	\$ 257,398	\$ 50,538

¹ Additional \$12.4 million being set aside in a pension reserve

Table 4—Summary of Estimated Going Concern and Solvency Special Payments

The table below summarizes the estimated total going concern and solvency special payments from Table 3 for the 22 university pension plans:

Calculation Date	Estimated Annual Special Payments for 22 Pension Plans			
	Going Concern (millions)	Solvency (millions)	Total (millions)	Percentage of Operating Grants
Last Filed Valuation	\$ 33	\$ 8	\$ 41	-
October 31, 2008				
Without Solvency Relief	\$ 256	\$ 310	\$ 566	-
With Solvency Relief (10-year amortization with member consent)	\$ 256	\$ 75	\$ 331	
June 30/July 1, 2009				
Without Solvency Relief	\$ 298	\$ 257	\$ 555	18%
With Solvency Relief (10-year amortization with member consent)	\$ 298	\$ 51	\$ 349	11%

The decrease in total special payments to \$349 million would be close to the maximum extent of the reduction available. For many university pension plans, using asset smoothing in the going concern valuation to reduce special payment requirements will simply result in a corresponding increase in solvency special payments. A solvency funding exemption would eliminate the \$51 million of solvency special payments and allow universities to use asset smoothing to reduce and smooth out the \$298 million of going concern special payments.

Impact of Adding Indexation to Solvency Liabilities

Under the current requirements of the Ontario *Pension Benefits Act*, solvency liabilities exclude the value of future indexation automatically granted under a plan's indexation provisions.

The recommendation in the Report of the Expert Commission on Pensions to include the value of future indexation in the solvency valuation would have a staggering impact and could drive many universities into institutional insolvency. Based on the last filed actuarial valuations for the 22 university DB and hybrid pension plans, the inclusion of indexation provisions in solvency valuations would increase the solvency liabilities by approximately \$2.0 billion to \$2.5 billion. That excludes the Report's recommendation to require funding up to 105% of solvency liabilities. The amortization payments for this additional liability would be approximately \$450 million to \$ 560 million per year for 5 years, which represents an additional 14% to 17% of annual operating grants to universities.

Indexing was excluded from the solvency valuation specifically to encourage plan sponsors to offer indexed benefits. Universities have made indexing provisions an important component of their pension plan designs. This would represent a change in the rules in the middle of the game, with no ability to undo what has already been granted.

Agreements Covering Members in University Pension Plans

At most universities, any changes to the provisions of university pension plans would require agreement achieved through a bargaining process under either a Memorandum of Agreement (for Associations) or a Collective Agreement (for Bargaining Units). Many university pension plans have multiple Associations/Bargaining Units covering members of the pension plan. There are often consultation processes in place for groups who are not members of an Association/Bargaining Unit.

To demonstrate the extent of the bargaining that would be required to make changes such as increasing member contribution rates, changing governance structures, or bringing universities together into one pension plan, the following pages show the Associations and Bargaining Units covering members of each university pension plan along with a description of the employees covered, the number of members and the term of the current Memorandum of Agreement or Collective Agreement. Across the 15 universities included on the following pages with DB or hybrid pension plans, there are over 80 associations/bargaining units covering members of the pension plans.

The number of plan members who are not represented by an Association/Bargaining Unit are also shown.

The following summarizes when the current agreements expire:

Calendar Year	Number of Current Agreements Expiring
2010	31
2011	30
2012	21

Table 5—Agreements Covering Members in University Pension Plans

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Toronto	Faculty Association*	Faculty and Librarians	2,768	July 1, 2007– June 30, 2009
	USW, Local 1998	Administrative Staff	3,400	July 1, 2008– June 30, 2011
	CUPE 3261 (FT)	Ancillary Services, Athletics, Caretaking, Ground Services, Food Services	558	July 1, 2008– June 30, 2010
	CUPE 3261 (PT)	As above for part-time / casual employees	355	July 1, 2008– June 30, 2010
	CUPE 1230	Library Workers	152	July 1, 2008– June 30, 2011
	CAW, 2003	Operating Engineers	84	May 1, 2009– April 30, 2012
	IBEW, Local 353	Electricians and Control Technicians	33	May 1, 2006 April 30, 2012
	IAMAW, Local 235	Locksmiths / Machinists / Millwrights	15	May 1, 2008 April 30, 2012
	OPSEU, Local 578	Research Officers at OISE	11	July 1, 2008 June 30, 2011
	Not Included Above	N/A	1,048	N/A
Queen's	Faculty Association	Faculty, Librarians and Archivists	974	May 1, 2008– April 30, 2011
	CUPE 1302	Library and Archives	81	July 1, 2006– June 30, 2010
	Staff Association*	Staff not covered by a collective agreement	660	July 1, 2006– June 30, 2009
	CUPE 229	Physical Plant Services, Residences, Operations, and Physical Education Centre	252	July 1, 2006– June 30, 2010
	CUPE 254	Employees working in a technical capacity in teaching or research laboratory	112	July 1, 2006– June 30, 2010
	Not Included Above	N/A		N/A

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
York	Faculty Association	Faculty and Librarians	1,550	May 1, 2009– April 30, 2012
	CUPE 3903, Unit 1	Graduate students employed in teaching, demonstrating, tutoring or marking	1,800 (not all plan members)	September 1, 2008– August 31, 2011
	CUPE 3903, Unit 2	As above but excluding graduate students	900 (not all plan members)	September 1, 2008– August 31, 2011
	Staff Association, Unit 1	Employees performing office, clerical, laboratory or technical work	1,450	August 1, 2008– July 31, 2011
	Staff Association, Unit 2	As above but employed less than 24 hours per week	500	-
	CUPE 1356	Maintenance Services and Plant Operations	330	September 1, 2008– August 31, 2011
	CUPE 1356 - 1	Security and Parking Officers	60	September 1, 2008– August 31, 2011
	CUPE 1356 - 2	Security and Parking Officers not scheduled for more than 24 hours per week	125 (not all plan members)	January 1, 2009– December 31, 2011
	IUOE, Local 772	Stationary Engineers	17	July 1, 2008– June 30, 2011
	Not Included Above	N/A		N/A
Ottawa	Association of Professors	Faculty and Librarians	1,298	May 1, 2008– April 30, 2011
	OSSTF	Support staff in administrative positions	1,097	May 1, 2007– April 30, 2012 (tentative agreement)
	PIPSC	Support staff in information technology positions	195	First collective agreement in negotiation
	IUOE, Local 772-A	Power Engineers	28	July 1, 2008– June 30, 2010
	IUOE, Local 772-B	Trades, Grounds and Transportation	38	July 1, 2007– June 30, 2010
		Not Included Above	N/A	

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
McMaster (Salaried Plan)	Faculty Association	Faculty and Librarians	932	July 1, 2008– June 30, 2011
	CAW, Local 555, Unit 1	Administrative Staff	2,098	June 16, 2009– June 15, 2012
	Not Included Above	N/A	662	N/A
McMaster (Hourly Plan)	Service Employees International Union Local 2.ON	Facility Services Unionized Staff	178	September 26, 2007– September 30, 2010
	Service Employees International Union Local 2.ON	Hospitality Services Unionized Staff	104	January 1, 2008– December 31, 2010
	Service Employees International Union Local 2.ON	Machinists	2	March 31, 2009– September 30, 2010
	CAW, Local 555, Unit 2	Parking Services Unionized Staff	5	September 16, 2006– March, 15, 2010
	CAW, Local 555, Unit 4	Security Services Unionized Staff; Special Constables	12	July 1, 2007– June, 30, 2011
	The International Union of Operating Engineers, Local 772	Operating Engineers	12	December 23, 2008– February 28, 2010

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Guelph (Professional Plan)	Faculty Association	Faculty and Librarians	709	July 1, 2008– June 30, 2011
	Professional Staff Association*	Professional and Managerial Employees	663	May 1, 2007– April 30, 2011
	College and Academic Research Group*	Employees involved in development, delivery and coordination of educational courses / programs and research / scholarly activities at regional campuses	56	May 1, 2006– April 30, 2009
	Nurses Association	Registered and Graduate Nurses in Student Health Services Department	6	May 1, 2008– April 30, 2011
	Not Included Above	N/A	51	N/A
Guelph (Staff Plan)	CUPE 1334	Trades, Services and Maintenance Employees	250	May 1, 2007– April 30, 2010
	USW, Local 4120	Administrative Staff	838	May 1, 2008– June 30, 2011
	CEP, Local 2003	Operating Engineers	10	May 1, 2009– April 30, 2012
	Exempt Group*	Exempt Staff	281	May 1, 2008– April 30, 2010
	Food Service Employees	Employees in Hospitality Services Department employed in a food service capacity	43	May 1, 2008– April 30, 2012
	Police Association	Special Constables	8	May 1, 2009– April 30, 2012
	CUPE 3913, Unit 2	Sessional Lecturers	7	September 1, 2009– August 31, 2010
	Not Included Above	N/A	238	N/A

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Carleton	Academic Staff Association	Faculty and Librarians	831	May 1, 2009– April 30, 2010
	CUPE 2424	Clerical, Technical and Administrative Staff	742	July 1, 2007– June 30, 2010
	CUPE 3778	Central Heating Plant Staff	6	April 1, 2008– March 31, 2011
	CUPE 910	Operational and Maintenance Staff	63	January 1, 2008– December 31, 2010
	Not Included Above	N/A	312	N/A
Ryerson	Faculty Association	Faculty and Librarians	797	July 1, 2009– June 30, 2011
	OPSEU, Local 596	Academic and Administrative Support Staff	761	July 1, 2007– June 30, 2010
	CUPE 233	Maintenance and Trade Employees	92	July 1, 2006– June 30, 2009
	Not Included Above	N/A	338	N/A
Windsor (Faculty Plan)	Faculty Association	Faculty, Sessional Lecturers, Sessional Instructors, Librarians and Ancillary Academic Staff	644	July 1, 2008– June 30, 2011
	Not Included Above	N/A	30	N/A
Windsor (Staff Plan)	CAW, Local 2458 Full-Time Unit	Full-Time Office and Clerical Staff	286	July 1, 2007– June 30, 2010
	CAW, Local 2458 Part-Time Unit	Part-Time Office and Clerical Staff	22	July 1, 2007– June 30, 2010
	CAW, Local 2458 Engineers	Stationary Engineers, Helpers and Refrigeration Mechanics	16	July 1, 2007– June 30, 2010
	CAW, Local 195	Campus Community Police and Parking Services	24	September 1, 2007– August 31, 2010
	CUPE 1393	Skilled Trades and Technicians and various other lay employees	221	April 1, 2007– March 31, 2010
	Not Included Above	N/A	235	N/A

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Wilfrid Laurier	Faculty Association	Full-Time Faculty and Librarians	504	July 1, 2008– June 30, 2011
	Faculty Association	Part-Time Contract Academic Staff and Part-Time Librarians	80	September 1, 2007– August 31, 2010
	Staff Association	Office, Clerical and Technical Employees	429	July 1, 2008– June 30, 2011
	CUPE 926	Employees in the Department of Physical Plant and Planning	107	July 1, 2006– June 30, 2009
	UFCW, Local 175	Food Services	45	August 1, 2006– July 31, 2009
	IATSE, Local 357	Technical and Production Coordinators (only jobs eligible for pension plan)	2	July 1, 2008– June 30, 2011
	Not Included Above	N/A	226	N/A
Laurentian	Faculty Association	Full-time and Sessional Faculty and Librarians	429	July 1, 2008– June 30, 2011
	Staff Union	Clerical, Technical, Secretarial, Maintenance and Trade	221	July 1, 2009– June 30, 2012
	USW, Local 2002	Security Guards	9	July 1, 2006– June 30, 2009
	USW (Sudbury Neutrino Observatory Institute)	Labour, Maintenance, Technical	28	May 1, 2009– April 30, 2012
	CAW (University of Sudbury)	Maintenance, Housekeeping, Secretaries, Clerks, I.T.	17	July 1, 2007– June 30, 2010
	Administrative and Professional Staff Association	Administrative Staff (Management)	103	N/A
	Not Included Above	N/A	141	N/A

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Brock	Faculty Association	Faculty and Librarians	562	July 1, 2008– June 30, 2011
	OSSTF	Office, Clerical, Administrative and Library Support Employees	236	May 1, 2008– April 30, 2010
	CUPE 1295	Maintenance, Trade and Custodian Services	130	May 1, 2006– April 30, 2009
	CUPE 2220	Rodman Hall Arts Centre	3	July 1, 2006– June 30, 2009
	CUPE 4207	Teaching Assistant, Part-Time Instructors and Markers	50	July 1, 2007– June 30, 2010
	Not Included Above	N/A	517	N/A
Trent (Faculty Plan)	Faculty Association	Faculty and Librarians	280	July 1, 2009– June 30, 2012
Trent (Staff Plan)	OPSEU, Local 365	Non-Academic Employees	320	July 1, 2007– June 30, 2010
	Not Included Above	N/A	108	N/A

Table 5—Agreements Covering Members in University Pension Plans

(continued)

University	Associations*/ Bargaining Units	Description	Number of Members	Term of Current Agreement
Lakehead (Professional Staff Plan)	LUFA	Faculty/Librarian	316	July 1, 2008– June 30, 2011
	Senior Administration	Non-Union (President, VPs, Directors)	24	N/A
	Schedule II and Technologists	Upper Level, Non-Union Employees	73	N/A
Lakehead (Technical, Clerical and Maintenance Staff Plan)	COPE 96	Office and Clerical Employees	111	July 1, 2006– June 30, 2009
	USW, Local 5294	Security Employees	13	July 1, 2008– June 30, 2011
	IUOE, Local 865	Operating Engineers, Maintenance Mechanics and Electricians	9	July 1, 2008– June 30, 2011
	CAW, Local 229	Caretakers	49	July 1, 2007– June 30, 2010
	Contract	Non-Union Contract Employees	70	N/A
	Contract Lecturers	Part-Time Faculty	18	N/A
	Schedule II and Technicians	Lower Level, Non-Union Employees	88	N/A
Algoma	Faculty Association	Faculty and Librarians	24	July 1, 2006– June 30, 2009
	Not Included Above	N/A	8	N/A

Plan Governance

Appendix B of this Report provides details of the pension plan governance structures at each of the universities sponsoring DB and hybrid pension plans.

Most of the pension plans have a pension committee that is a Standing Committee of the Board of Governors or Board of Trustees, as applicable. Standing Committees are established pursuant to the by-laws of the university and are part of the university's governance structure. Standing Committees of the Board can have certain decision-making powers delegated to them and make recommendations to the Board.

The pension committees have significant representation from plan members including retirees. The requirements in connection with member representation on the committees are often specifically addressed in the agreements with the Associations/Bargaining Units.

With the existing well-developed governance structures, plan members already have a significant involvement in pension plan governance without the direct risk sharing that is the underlying basis for jointly-sponsored pension plans. For university pension plans to morph into the jointly-sponsored approach, legislative intervention would be required and the treatment of current funding shortfalls would have to be addressed.

Stakeholder Consultation

Stakeholder Consultation

The workplan developed for the Working Group included a consultation process with stakeholder groups.

The Working Group held consultation sessions with representatives of the following organizations who represent members either directly or indirectly in one or more university pension plan:

December 17, 2009

- Ontario Secondary School Teachers' Federation (OSSTF)
- United Steelworkers (USW)

December 18, 2009

- Ontario Confederation of University Faculty Associations (OCUFA)
- Canadian Union of Public Employees (CUPE)

January 7, 2010

- Confederation of Ontario University Staff Associations and Unions (COUSA)

The Canadian Auto Workers Union (CAW) and Ontario Public Service Employees' Union (OPSEU) were also invited to participate in the consultation sessions.

A copy of the Working Group presentation for these consultation sessions is included as Appendix C to this report.

The Working Group also made this presentation to the Academic Colleagues of the Council of Ontario Universities on December 11, 2009.

Comparison of University Pension Plans to Large Public Sector Pension Plans

Summary of Benefits for University DB Pension Plans and Public Sector Pension Plans

Tables 6 and 7 on the following pages compare the benefit provisions and contribution rate structures of the university DB pension plans to those of the large Ontario public sector pension plans. The following public sector pension plans have been included:

- Ontario Teachers' Pension Plan (OTPP)
- Colleges of Applied Arts and Technology Pension Plan (CAAT)
- Hospitals of Ontario Pension Plan (HOOPP)
- Ontario Municipal Employees Retirement System (OMERS)
- Public Service Pension Plan (PSPP)

For the **comparison of benefits** in Table 6, the following benefit provisions have been summarized:

- Average Earnings—the number of years over which earnings are averaged for purposes of calculating final average earnings.
- Benefit Rate After Age 65—The benefit rate used to calculate pension benefits that are payable after age 65. The first rate applies to final average earnings under the average CPP wage base and the second rate applies to final average earnings above the average CPP wage base.
- Benefit Rate Before Age 65—The benefit rate used to calculate pension benefits that are payable on early retirement up to age 65.
- Subsidized Payment Form—The death benefits that apply after retirement that are provided by the pension plan without any reduction in the retiree's pension:
 - 50% or 60% J&S—Lifetime pension with 50% or 60% as applicable continuing to the surviving spouse on the retiree's death.
 - 60% J&S with G5—Lifetime pension with 60% continuing to the surviving spouse on the retiree's death, but with a guarantee of at least 5 years of 100% payments to the retiree and surviving spouse.
 - LG5, LG10 or LG15—Lifetime pension with a guarantee of 5, 10 or 15 years of pension payments, as applicable.
 - ROC—Lifetime pension with a guarantee of pension payments at least equalling retiree's contributions with interest at retirement.
- Automatic Indexing—The formula used to automatically adjust pension benefits on an annual basis after retirement (or earlier termination or death); does not include adjustments that may be made on an ad-hoc basis.
- Eligibility for Unreduced Early Retirement—The eligibility requirements that a member retiring early prior to age 65 has to satisfy in order to receive the pension earned to early retirement date without reduction to account for the early commencement of pension benefits.

Summary of Benefits for University DB Pension Plans and Public Sector Pension Plans (continued)

For the **comparison of contributions rates** in Table 7, the following information is provided:

- Member contribution rates based on the ultimate contribution rates if there is a schedule of increasing contribution rates.
- Employer contribution basis which shows how the employer contributions are determined.
- Average member contribution rate as a percentage of salary from the last filed actuarial valuation (if available).
- Average employer contribution as a percentage of salary, excluding special payments, from the last filed actuarial valuation (if available).

Table 8 provides a summary of the provisions for university hybrid pension plans.

Table 6—Summary of Benefits for University DB Pension Plans and Public Sector Pension Plans

DB Pension Plan	Average Earnings (yrs)	Benefit Rate After Age 65	Benefit Rate Before Age 65	Subsidized Payment Form	Automatic Indexing (% of CPI)	Eligibility for Unreduced Early Retirement
University of Toronto Faculty	3	1.5% / 2.0%	same	With Spouse: 60% J&S Without Spouse: LG5	75%	age 60 + 10 years
Staff	3	1.6% / 2.0%	same	With Spouse: 60% J&S Without Spouse: LG5	75%	age 60 + 80 points
University of Ottawa ¹	5	1.3% / 2.0%	same	With Spouse: 60% J&S with G5 Without Spouse: LG5	CPI < 3%: 100% up to 2% CPI ≥ 3%: CPI – 1 %	age 60, or 90 points
McMaster University (Salaried Plan)	4	1.4% / 2.0%	same	With Spouse: 50% J&S Without Spouse: LG7	excess interest (threshold at 4.5%)	80 or 85 points by staff group
University of Waterloo	3	1.4% / 2.0%	same	LG10	100%	age 62
Ryerson University	5	1.35% / 2.0%	2.0%	With Spouse: 60% J&S Without Spouse: LG10	100%	90 points, or age 60 + 20 years
University of Guelph Professional Plan	3	1.5% / 2.0%	same	With Spouse: 60% J&S Without Spouse: LG5	CPI – 2%	age 55 + 85 points
Staff Plan	3	1.6% / 2.0%	same	With Spouse: 60% J&S Without Spouse: LG5	CPI – 2%	age 55 + 85 points
University of Windsor (Staff Plan)	5	1.5% / 2.0%	same	LG5	50% of excess interest (threshold at 6%) up to 50% of CPI	age 65
Trent University Faculty Plan	3	2.0%	same	With Spouse: 60% J&S Without Spouse: LG10	excess interest (threshold at 6.5%) up to 50% of CPI	age 65
Staff Plan	3	2.0%	same	With Spouse: 60% J&S Without Spouse: LG10	excess interest (threshold at 6.5%) up to 50% of CPI	age 60 + 80 points
OTPP	5	1.55% / 2.0%	2.0%	With Spouse: 50% J&S Without Spouse: LG10	100% (pre-2010 benefits); 50% (post-2009 benefits) plus top-up to 100% based on plan's funded status	85 points
CAAT	5	1.3% / 2.0%	2.0%	With Spouse: 60% J&S Without Spouse: LG5	75% (pre-2008 benefits)	85 points, or age 60 + 20 years
HOOPP	5	1.5% / 2.0%	2.0%	With Spouse: 60% J&S Without Spouse: LG15	75% (pre-2006 benefits)	age 60, or age 55 + 30 years
OMERS	5	1.325% / 2.0%	2.0%	With Spouse: 66-2/3% J&S Without Spouse: ROC	100%	age 55 + 30 years, or age 55 + 90 points
PSPP	5	1.3% / 2.0%	2.0%	With Spouse: 50% J&S Without Spouse: ROC	100%	90 points, or age 60 + 20 years

¹ Breakpoint for benefit rate is \$34,595 in 2009

Table 7—Summary of Contribution Rates for University DB Pension Plans and Public Sector Pension Plans

DB Pension Plan	Type of Plan	Member Contribution Rate	Employer Contribution Basis	Average Member Contribution Rate (% of Salary)	Employer Contribution Excluding Any Special Payments (% of Salary)
University of Toronto Faculty	SSP	4.5% / 6.0%	current service plus amortization payments	5.3% (combined)	10.8% (combined)
Staff		5.0% / 6.0%	current service plus amortization payments		
University of Ottawa ¹	SSP	4.25% / 6.55%	current service plus amortization payments	5.5%	12.5%
McMaster University (Salaried Plan)	SSP	5.5% / 7.0% or 5.0% / 6.5% by staff group	current service plus amortization payments	5.4% ²	11.3%
University of Waterloo ³	SSP	5.80% / 8.30% / 9.65%	current service plus amortization payments	6.8%	9.7% ⁴
Ryerson University ⁵	SSP	8.0% / 6.2% / 8.0%	matching plus amortization payments	6.9%	6.9%
University of Guelph Professional Plan	SSP	4.8% / 6.5%	current service plus amortization payments	5.3%	9.6%
Staff Plan	SSP	5.94% / 6.25% or 6.16% / 6.25%	current service plus amortization payments	5.4%	7.3%
University of Windsor ⁵	SSP	6% / 4.2% / 6.0%	current service plus amortization payments	4.7%	9.8%
Trent University Faculty Plan	SSP	7.0%	current service plus amortization payments	7.0% ²	10.50% ⁴
Staff Plan	SSP	6.5%	current service plus amortization payments	6.5%	10.25% ⁴
OTPP	JSP	10.4% / 12.0%	matching	11%	11%
CAAT ⁵	JSP	12.1% / 10.3% / 12.1%	matching	not available	not available
HOOPP	JSP	6.9% / 9.2%	matching x 1.26	7.6%	9.6%
OMERS ⁶	JSP	6.4% / 9.7%	matching	7.2%	7.2%
PSPP ⁶	SSP	6.4% / 9.5%	matching plus amortization payments	7.9%	7.9%

SSP = Sole-Sponsored Plan

JSP = Jointly-Sponsored Plan

¹ Breakpoint for contribution rate is \$34,595 in 2009

² Does not reflect increases effective in 2010

³ Contribution rates shown are below the YMPE (\$46,300 in 2009), between 1x YMPE and 2x YMPE (\$92,600 in 2009), and above 2x YMPE; reflects increase in member contribution rates effective May 1, 2009

⁴ Reflects minimum employer contribution under a contribution protocol

⁵ Contribution rates shown are below the YBE (\$3,500), between the YBE and YMPE (\$46,300 in 2009), and above the YMPE

⁶ For provisions that apply to members other than public safety officers

Table 8—Summary of Provisions for University Hybrid Pension Plans

Hybrid Pension Plan	Money-Purchase (MP) Contributions		Minimum DB Guarantee		Application of Guarantee	Postretirement Adjustment
	Member	Employer	Average Earnings (yrs)	Benefit Rate		
Queen's University	4.5% / 6.0%	6.0% / 7.0% plus 1.5% of member contributions	4	1.4% / 1.8%	at retirement	excess interest over 6%
York University	4.5% / 6.0%	4.5% / 6.0% plus 3% of member contributions	5	1.4% / 1.9%	at retirement	excess interest over 6%
Carleton University	4.37% / 6.00%	4.37% / 6.00% plus 0.25% of salary	5	1.29% / 2.0%	at retirement	excess interest over 6%; adjustment can be negative for post-July 1, 2003 service
University of Windsor	6.0%	6.0%	5	1.5% / 2.0%	at retirement and each year thereafter	MP Pension: excess interest over conversion rate; mortality adjustments also factored in DB Pension: CPI ≤ 4%: 100% up to 2% CPI > 4%: 50% up to 8%
Wilfrid Laurier University	7.0%	7.0%	5	1.37% / 2.0%	at retirement and each year thereafter	MP Pension: excess interest over 6% DB Pension: 100% of CPI up to 4%
Brock University	4.4% / 6.0%	7.4% / 9.0%	5	1.0% / 1.7%	at retirement and each year thereafter	MP Pension: excess interest over 6%; mortality adjustments also factored in DB Pension: 100% of CPI up to 2%
Laurentian University ¹	5.0% / 3.2% / 5.0%	7.0% / 5.2% / 7.0%	5	1.3% / 2.0%	at retirement	100% of CPI up to 3%
Lakehead University	6.5% less CPP	8.05% less CPP	5	1.20% / 1.75% applied for service up to January 1, 1997	at retirement	excess interest over conversion rate

¹ Contribution rates shown are below the YBE (\$3,500), between the YBE and YMPE (\$46,300 in 2009), and above the YMPE

Comparison of Benefit Provisions for DB Plans

To facilitate a comparison of the benefits provisions under the various pension plans, a lump-sum value has been calculated for each pension plan at a range of retirement ages.

The analysis is based on the following:

- Retirement Date: December 31, 2009
- Retirement Ages: Ages 55, 60 and 65
- Pensionable Service: 30 years at each retirement age
- Final Year's Salary: \$75,000 or \$125,000 at each retirement age

The following assumptions have been used to calculate the lump-sum values:

- Increase in CPI: 2.25% per year
- Increase in Salaries: 4.25% per year prior to retirement age
- Interest Rate: 5.75% per year (CPI + 3.50%)
- Mortality Rates: UP94 Projected to 2020 Under Scale AA (50% male rates / 50% female rates)
- % With Spouse at Retirement: 80%
- Spousal Age Difference: Female spouse three years younger than male spouse

The following indexation provisions have been valued for the public sector pension plans that have changed their indexing provisions:

OTPP: Indexation at 100% of CPI for pension benefits earned in respect of service prior to January 1, 2010

CAAT: Indexation at 75% of CPI for pension benefits earned in respect of service prior to January 1, 2008, with no indexation on pension benefits earned in respect of service from January 1, 2008 to December 31, 2009

HOOPP: Indexation at 75% of CPI for pension benefits earned in respect of service prior to January 1, 2006, with no indexation on pension benefits earned in respect of service from January 1, 2006 to December 31, 2009

Table 9 on the following page presents the results of the calculations, comparing the average lump-sum values for five public sector pension plans to the average lump-sum values for eight university DB pension plans.

The public sector pension plans tend to have more favourable early retirement provisions (earlier eligibility for an unreduced pension and bridge benefits to age 65) than the university pension plans. This is reflected in the higher lump-sum values for these pension plans at age 55. At age 65, university pension plans tend to compare more favourably to the public sector pension plans.

Any comparison of costs would need to reflect the very different retirement age patterns between the public sector pension plans and the university pension plans. The more expensive unreduced early retirement provisions are utilized to a much greater extent by members in public sector pension plans. In the university sector, faculty members in particular tend to retire at later ages. This has a significant impact on the cost of a pension plan which is one of the main reasons why in most cases the total contributions (members plus employer) in the public sector pension plans exceed the total contributions in the university pension plans.

Table 9—Comparison of Benefit Provisions for DB Plans

Final Year's Salary—\$75,000

DB Pension Plan	Lump-Sum Value		
	Retirement at Age 55	Retirement at Age 60	Retirement at Age 65
Average for 5 Public Sector Pension Plans	\$ 608,200	\$ 592,700	\$ 498,500
Average for 8 University DB Pension Plans ¹	\$ 464,100	\$ 534,400	\$ 496,600

Final Year's Salary—\$125,000

DB Pension Plan	Lump-Sum Value		
	Retirement at Age 55	Retirement at Age 60	Retirement at Age 65
Average for 5 Public Sector Pension Plans	\$ 1,060,700	\$ 1,052,900	\$ 910,400
Average for 8 University DB Pension Plans ²	\$ 766,200	\$ 909,200	\$ 881,000

¹ Provisions applicable to Staff members if different provisions apply to Faculty and Staff

² Provisions applicable to Faculty members if different provisions apply to Faculty and Staff

Summary of Plan Changes and Surplus Utilization in Last Five Years

Summary of Plan Changes and Surplus Utilization in Last Five Years

In December 2008, the Ministry of Finance requested information on changes made in the previous five years to benefit provisions and member contribution rates. The Ministry also requested information on surplus utilized for contribution holidays in the previous five years. The following tables provide the requested information updated with any changes since the initial response in December 2008:

Table 10—Changes in Benefits Since July 1, 2003

Table 11—Changes in Member Contribution Rates Since July 1, 2003

Table 12—Surplus Used for Contribution Reductions Since July 1, 2003

Table 10—Changes in Benefits Since July 1, 2003

University	Benefit Changes	Increase/Decrease in Costs
Toronto	<ul style="list-style-type: none"> ■ Changes to early postponed retirement provisions for Faculty/Librarians in connection with elimination of mandatory retirement ■ Periodic top-up of indexation from 75% to 100% of CPI for Faculty/Librarian retirees ■ Increase in benefit rate below YMPE from 1.5% to 1.6% for unionized administrative staff, unionized staff and administrative staff ■ Temporary early retirement provisions for unionized administrative staff, unionized staff and administrative staff; provisions closed as of December 31, 2008 	<p>Cost neutral</p> <p>Increase</p> <p>Increase; member contribution rates also increased, including to pay for portion of past service liability</p> <p>Increase</p>
McMaster	<ul style="list-style-type: none"> ■ Unreduced early retirement eligibility for Faculty and non-union staff moved back from 80 points to 85 points 	Decrease
Waterloo	<ul style="list-style-type: none"> ■ Elimination of indexing in deferral period for benefits earned for service after January 1, 2008 for members who terminate before eligibility for early retirement with less than 20 years of service 	Decrease
Guelph (Professional)	<ul style="list-style-type: none"> ■ Enhancement to preretirement death benefit and 1.0% ad-hoc increase to pensioners 	Increase
Guelph (Staff)	<ul style="list-style-type: none"> ■ As above ■ Increase in benefit rate below YMPE from 1.5% to 1.6% for unionized administrative staff, unionized staff and administrative staff 	<p>Increase</p> <p>Increase; member contribution rates also increased including to pay for a portion of past service liability</p>
Carleton	<ul style="list-style-type: none"> ■ Removal of early retirement bridge benefit for members who have not attained age 55 and 10 years of service as of July 1, 2003 ■ Removal of non-reduction guarantee for pensions in pay for contributions and service after July 1, 2003 	<p>Decrease</p> <p>Decrease</p>
Trent (Faculty)	<ul style="list-style-type: none"> ■ For retirements on or after July 1, 2006, threshold for excess interest indexing increased from 6.0% to 6.5% and indexing in any one year limited to 50% of CPI instead of 100% of CPI 	<p>Decrease</p> <p>Increase</p> <p>Decrease</p> <p>Decrease</p>
Trent (Staff)	<ul style="list-style-type: none"> ■ Temporary enhancements to unreduced early retirement provisions ■ Early retirement reductions increased for members who were not within 10 years of normal retirement date as of July 1, 2007 ■ For retirements after July 1, 2007, threshold for excess interest indexing increased from 6.0% to 6.5% and indexing in any one year limited to 50% of CPI instead of 100% of CPI 	<p>Increase</p> <p>Decrease</p> <p>Decrease</p>

Table 11—Change in Member Contribution Rates Since July 1, 2003

University	Change in Member Contribution Rates	
Toronto	From: To:	4.50% up to YMPE plus 6.00% above YMPE January 1, 2006 (for administrative staff, unionized administration staff and unionized staff in connection with change in benefit rate): 5.00% up to YMPE plus 6.00% above YMPE
McMaster	From: To:	3.50% up to YMPE plus 5.00% above YMPE July 1, 2006/August 1, 2006/April 1, 2007 (by staff group): 4.25% up to YMPE plus 5.75% above YMPE June 16, 2007/July 1, 2007 (by staff group): 5.00% up to YMPE plus 6.50% above YMPE June 16, 2008, January 10, 2010, January 9, 2011 and January 8, 2012 (for administrative staff represented by CAW): 5.50% up to YMPE plus 7.00% above YMPE 5.75% up to YMPE plus 7.50% above YMPE 6.25% up to YMPE plus 8.25% above YMPE 6.50% up to YMPE plus 8.75% above YMPE
Waterloo	From: To:	4.55% up to YMPE plus 6.50% above YMPE July 1, 2007: 4.80% up to 1x YMPE, plus 7.175% between 1x YMPE and 2x YMPE, plus 7.85% above 2x YMPE July 1, 2008: 5.05% up to 1x YMPE, plus 7.85% between 1x YMPE and 2x YMPE, plus 9.20% above 2x YMPE May 1, 2009: 5.80% up to 1x YMPE, plus 8.30% between 1x YMPE and 2x YMPE, plus 9.65% above 2x YMPE

Table 12—Surplus Used for Contribution Reductions Since July 1, 2003

University	Contribution Reductions
Queen's	University contribution reduction of \$1 million for one-year period ending August 31, 2004
Ottawa	Member contribution reduction: \$7.5 million for period from August 2007 through February 2008 University contribution reduction: \$15.3 million for period from June through December 2007
McMaster	University contribution reduction: \$13 million from July 1, 2003 to June 30, 2004 \$15 million from July 1, 2004 to June 30, 2005 \$9 million from July 1, 2005 to June 30, 2006
Carleton	University contribution reduction of \$1.4 million from July 1, 2003 to June 30, 2004 (excess surplus under ITA)
Ryerson	Excess surplus under ITA of \$2.6 million shared equally to reduce University and member contributions
University of Windsor (Staff Plan)	Member contribution reduction: \$3.9 million University contribution reduction: \$5.6 million

Summary of Legislative Regimes for Universities in Other Provinces

Solvency Exemptions for Universities in Other Provinces

Quebec, Manitoba, Alberta and New Brunswick have implemented permanent exemptions from solvency funding for University pension plans. Newfoundland has implemented a temporary exemption which has been extended. Details of the exemptions and the accompanying requirements are provided in the following table.

Table 13—Solvency Exemptions for Universities in Other Provinces

Province	Nature of Exemption	Requirements
Quebec	<ul style="list-style-type: none"> ■ Permanent exemption from solvency funding for all Quebec universities, including McGill, Laval, Montreal, Concordia, Sherbrooke, Bishop's and Quebec. 	<ul style="list-style-type: none"> ■ Solvency valuation is still required; the exemption is for requirement to make solvency amortization payments. ■ No smoothing of assets is permitted for going concern valuations. ■ If a plan amendment reduces the solvency ratio to less than 0.9, a lump-sum contribution is required equal to the lesser of the cost of the amendment or the amount required to bring the solvency ratio up to 0.9. ■ Any increase in going concern liabilities arising from a plan amendment has to be amortized over a period no longer than 5 years rather than 15 years (any lump-sum contribution from the above test reduces the increase to be amortized). ■ Employer contribution holidays can only be taken for a plan year if an actuarial valuation at the end of the preceding plan year identifies a surplus on both a going concern and solvency basis.
Manitoba	<ul style="list-style-type: none"> ■ Universities (Manitoba, Winnipeg and Brandon) can make an irrevocable election to be permanently exempted from solvency funding. 	<ul style="list-style-type: none"> ■ Solvency valuation is still required; the exemption is for requirement to make solvency amortization payments. ■ Notice required to members and former members in connection with election. ■ Plan amendment cannot be made if it would reduce the solvency ratio below 0.9. ■ If the pension plan is terminated in whole or in part, university must fund the solvency deficiency that exists at the time.
Alberta	<ul style="list-style-type: none"> ■ Permanent solvency exemption for the Universities Academic Pension Plan which is a jointly-sponsored pension plan that covers the academic and professional staff at Alberta universities including Alberta, Calgary, Lethbridge and Athabasca. ■ Other university employees are members of Public Service Pension Plan which has the same solvency exemption. 	<ul style="list-style-type: none"> ■ Solvency valuation is still required; the exemption is for requirement to make solvency amortization payments.

Table 13—Solvency Exemptions for Universities in Other Provinces

(continued)

Province	Nature of Exemption	Requirements
New Brunswick	<ul style="list-style-type: none"> ■ Permanent exemption from solvency funding for New Brunswick universities including New Brunswick, Moncton, and Mount Allison, subject to member consent requirements. 	<ul style="list-style-type: none"> ■ At least 51% of members, former members, and other persons entitled to payments from the plan who vote consent to the exemption. ■ No amendment can be made to plan unless full solvency cost of amendment is funded.
Newfoundland	<ul style="list-style-type: none"> ■ Temporary exemption from solvency funding for Memorial University from March 31, 2002 to December 31, 2005, with further extension to December 31, 2010. 	<ul style="list-style-type: none"> ■ Annual valuations.

Common Investment Management

Current Models in B.C. and Alberta

B.C. and Alberta have models in place under which asset management entities have been established to manage the assets for a number of pension plans in the public sector and broader public sector.

British Columbia Investment Management Corporation (“bcIMC”)

bcIMC was established by an act of the British Columbia Legislature on July 15, 1999 to perform the role of investment manager for various large BC public sector pension plans and other public sector clients. The corporation was formed out of the former investment management division of the BC Ministry of Finance. It was established as a provincial crown corporation to secure its independence at arm’s length from government, in parallel with the government’s initiative to create an independent (joint) governance structure for the four large pension plans the government had previously been sponsoring. This movement to crown corporation status also facilitated the introduction of new and more effective staffing and compensation policies for the corporation’s professional and management staff.

bcIMC currently manages approximately \$75 billion in assets, roughly three quarters of which belongs to the college, municipal, public service and teachers—and a few smaller—pension plans. Other major bcIMC clients include ICBC, BC Hydro, WorkSafe BC and the BC public trustee.

There are seven directors on the bcIMC board. The boards of trustees of the four large pension plans each appoint one director. The Minister of Finance appoints the other three: two of whom represent other (non-pension) clients and the third acts as Board Chair. The board operates with a number of committees including audit and HR/compensation.

bcIMC offers a wide range of investment options, including Canadian and foreign equities, bonds, real estate and private placements. Approximately 60% of the assets are managed internally by bcIMC’s own staff and the remainder are managed by external managers under contract to bcIMC. Assets are held in pooled investment portfolios, and the participating pension funds hold units in various investment pools. The funds are mainly open, but there are some closed-end pools for illiquid assets. Expenses are recovered through reductions in market values. The corporation will provide segregated asset management if that is most suitable to the client.

Each pension fund client sets their own investment strategy through the development and adoption of a Statement of Investment Policy and Goals. bcIMC accepts the responsibility to invest in accordance with that strategy and to keep the trustees informed of fund performance and capital market developments.

Alberta Investment Management Corporation (“AIMCo”)

AIMCo was formed as an Alberta crown corporation on January 1, 2008 and considers itself to be the fifth largest money manager in Canada. Its mandate is to provide investment management to entities and funds specified by the Government of Alberta. AIMCo manages approximately \$70 billion on behalf of a multiple of client funds including six Alberta public sector pension plans, several endowment funds, such as the Alberta Heritage Savings Trust Fund as well as some special purpose funds. These assets were previously administered by the Investment Management Division of Alberta’s Department of Finance. For five of the six public sector pension funds, the Minister of Finance is the Trustee and the pension funds are required to be invested with AIMCo. The sixth pension plan is the Universities Academic Pension Plan which is not required to use AIMCo but has elected to do so.

AIMCo was established as a corporate structure to provide an independent governance model focused on investment excellence. AIMCo is governed by a 10 member Board of Directors, appointed by the Lieutenant Governor in Council. The Board currently consists of nine independent members who are all current or former private sector executives and the Deputy Minister of Finance and Enterprise. The current chair is a former CEO of a major Canadian bank. The Board operates with several committees including: governance, human resources, compensation, audit and investments. From a governance perspective, it is the Board’s intention to operate as a publicly-traded company with transparency and good reporting.

Of the \$70 billion assets under management, about \$40 billion is invested for balanced fund clients including \$23 billion for pension funds and \$17 billion for government endowment funds. These funds are invested in a full range of asset classes that include equities, bonds and alternative investments. The remaining \$30 billion is primarily invested in fixed income assets for government funds such as the CRF.

AIMCo offers clients a diverse array of pooled funds of which about 75% are managed internally by AIMCo staff with the balance externally managed. It is AIMCo’s intention to manage more assets internally to save costs. AIMCo currently has about 170 employees and expects to expand to 220 over the next few years. Assets are held in pooled investment portfolios which the pension plans purchasing units in. Each pension plan has its own separate board which sets its own investment strategy contained in a Statement of Investment Policy and Goals (SIP&G). AIMCo enters into an agreement (investment protocol) with each pension plan and manages in accordance with the SIP&G.

AIMCo is moving toward an investment management philosophy and environment that focuses on risk-adjusted returns and performance. Pension plans are setting formal risk budgets (Surplus Value at Risk) which AIMCo manages to. Rather than managing a specific asset mix with a prescriptive set of investments, the respective pension plans will set a risk tolerance that translates into broader allocations to equities and bonds which AIMCo manages based on risk/return opportunities.

Analysis of Current Asset Management Structure and Impact of Commingling Assets

An analysis of investment management structure and fees has been prepared based on data compiled by the Canadian Association of University Business Officers ("CAUBO") as of December 31, 2008.

The analysis includes the DB pension plans and hybrid pension plans at the following universities with pension funds in excess of \$100 million:

University	Type of Plan ¹	Pension Fund Assets as of December 31, 2008 (000's)
University of Toronto	DB (2)	\$ 2,071,885
Queen's University	Hybrid (1)	1,110,481
York University	Hybrid (1)	1,062,291
University of Ottawa	DB (1)	1,033,355
McMaster University	DB (2)	855,384
University of Waterloo	DB (1)	773,310
University of Guelph	DB (3)	755,162
Carleton University	Hybrid (1)	617,450
University of Windsor	DB (1) & Hybrid (1)	363,451
Wilfrid Laurier University	Hybrid (1)	226,821
Laurentian University	Hybrid (1)	210,808
Brock University	Hybrid (1)	207,611
Trent University	DB (2)	176,449
Lakehead University	Hybrid (1) and DC (1)	<u>176,212</u>
Total		\$ 9,640,670

We note that the Ryerson University Pension Plan has been excluded from the following analysis since the assets of that pension plan are currently managed through OMERS.

Current Fund and Fee Structure

Based on the analysis prepared for the above pension funds, there are 138 different investment funds, 21 of which (\$4.0 billion in assets) have more than one university invested and are therefore eligible for savings (the number of different investment funds would be reduced to 108 if the hedge funds in the University of Toronto pension fund are excluded).

Based on the CAUBO data, for the pension plans on the above, the 2008 fees for external investment managers were approximately \$42 million or about 45 basis points (the basis points may be slightly on the high side since the investment management fees are based on higher assets throughout 2008 whereas the assets by which they are divided are as of December 31, 2008, after the market downturn). The 2008 custodial fees were approximately \$3.9 million or 4 basis points.

¹ Figures in parentheses denote number of plans

Analysis of Current Asset Management Structure and Impact of Commingling Assets (continued)

Alternative of Commingling Assets Under University-Owned Asset Management Entity

One alternative for the universities is to commingle their pension plan assets for investment management purposes (i.e., the assets of each university pension plan would remain segregated in their own trust but the assets would be pooled for investing). This could be accomplished by creating a university-owned not-for-profit asset management entity. As owners, each university would have representation on the owner committee or Board (that representation could include members of each university's pension committee). There would be an investment committee with external individuals selected for their investment expertise. Investment pools would have to be offered for the various asset classes to allow each university to control its own asset mix if desired.

Potential Savings in Investment Management Fees

The potential reduction in investment management fees from commingling assets has been calculated under two different scenarios:

1. The universities pool their funds within the existing manager structure; and
2. The universities consolidate their investment manager structure by mapping assets to no more than 5 managers in each asset class, staying within the current investment manager pool.

The reduction in investment management fees under the two scenarios is as follows:

- Under Scenario 1, the reduction in investment management fees across all the above pension plans would be approximately \$1.7 million or about 2 basis points.
- Under Scenario 2, the reduction in investment management fees across all the above pension plans would be approximately \$8 million, or approximately 8 basis points. With the consolidated investment manager structure, there would be 71 different investment funds, 21 of which (\$8.0 billion in assets) have more than one university invested and therefore are eligible for savings (the number of different investment funds would be reduced to 41 if the hedge funds in the University of Toronto pension fund are excluded).

With the consolidation exercise, excluding the hedge funds in the University of Toronto pension funds, the number of investment funds being utilized was reduced from 108 to 41.

There may be some increased investment management fees in the university endowment funds if pension fund assets are commingled for investment management purposes. Excluding University of Toronto which manages the pension fund and endowment fund under the same manager structure, there were 22 different instances where the pension fund and endowment fund used the same investment manager.

Further consideration of this alternative would require an assessment of the transition fees.

Services Available From Public Sector Pension Plans

Services Available From Public Sector Pension Plans

In order to assess the services available from the large public sector pension plans that have indicated interest in offering some or all of their services to other pension plans, invitations for a meeting with the Working Group on University Pension Plans were extended to HOOPP, OMERS, and OTPP. HOOPP and OMERS accepted the invitations.

The Commonfund was also invited to meet with the Working Group to describe the investment management services they could offer to Ontario university pension plans.

The following page contains the high level questions prepared by the Working Group for purposes of the meetings. The questions were provided in advance of the meetings.

The last part of this section of the report presents some of the findings from the meetings which were held on September 1, 2009 (for HOOPP and OMERS) and September 28, 2009 (for the Commonfund).

High Level Questions for Public Sector Pension Plans Offering Services to University Pension Plans

1. What services would be offered to universities?
 - Investments only for existing pension plans?
 - Investments and pension administration services for existing pension plans?
 - Ability to join your pension plan?

2. How will these services be offered to existing pension plans?
 - Directly with your pension plan?
 - Through a subsidiary (if so, how is the subsidiary legally structured)?

3. Investments for existing pension plans:
 - Will there be an option for one or more assets classes rather than the entire fund?
 - What would the fee structure be? Will it depend on how many universities participate?
 - How will your Board satisfy its fiduciary responsibility to your members with other assets in your pension plan?
 - Would universities be able to participate in your governance process?
 - What residual responsibilities would be retained by the universities?

4. Pension administration services for existing pension plans:
 - What pension administration services would be offered?
(e.g., pension calculations; pension adjustment calculations; pensioner payroll; actuarial extracts; web and call centre)
 - What would the fee structure be? Will it depend on how many universities participate?
 - Would there be any limitations on liability?
 - What is an expected timeframe for implementation and an expected resource commitment from a university implementing administration services?
 - What residual responsibilities would be retained by the universities?

5. Joining your pension plan:
 - Will this be offered for future service only or could past service benefits be transferred if permitted by legislation?
 - Will contribution rates for university members be separately experience rated or pooled with other members?
 - What would the fee structure be? Will it depend on how many universities participate?
 - How will your Board satisfy its fiduciary responsibility to your current members with other members in your pension plan?
 - Would universities be able to participate in your governance process?

Summary of Meeting With Public Sector Pension Plans

Meeting With HOOPP

HOOPP is governed by a Board of Trustees which is comprised of 16 trustees, eight of whom are appointed by the Ontario Hospitals Association and eight of whom are appointed by the following unions: Ontario Nurses Association, Canadian Union of Public Employees, Service Employees International Union, and the Ontario Public Service Employees Union.

HOOPP's strategic focus is in the direction of having new employers joining HOOPP as a participating employer and being covered by the HOOPP benefit provisions and their administration and investment structure.

In order to become a participating employer in HOOPP, an employer is required to join the Ontario Hospitals Association. This could be problematic for a number of universities without any medical affiliation.

HOOPP has adopted a liability driven investment approach. As such, the investment structure is tailored to the Plan's liabilities. If HOOPP were to offer investment only services to other pension plans, such as university pension plans, their investment approach would mean that these pension plans would have to accept the HOOPP asset mix and investment structure.

Investment expenses (mostly internal with some external investment management fees) for HOOPP are approximately 20 basis points (this will be useful for comparison to the current situation for university pension plans and to other approaches being considered).

The HOOPP benefit provisions are driven by the philosophy and demographics of the health care sector, which may be different from that of the university sector. This would be one of the challenges in connection with Ontario universities joining HOOPP (a challenge for both the universities and for HOOPP since all the Ontario universities joining HOOPP would represent a 40% increase in the size of HOOPP). Governance would also be an issue.

The Working Group has requested additional information from HOOPP:

- Examples of recent experiences with an existing pension plan joining HOOPP.
- Fee structure.

Meeting With OMERS

The OMERS model is focused on providing investment only services to third party pension plans through an authorized subsidiary of OMERS (the mandate for an authorized subsidiary is laid out in legislation). The subsidiary has to be a for-profit entity with majority ownership by OMERS.

OMERS could provide pension administration services to third party pension plans, however, that is not a current strategic priority.

The Ryerson University pension fund is currently invested in OMERS under an arrangement where the assets of the Ryerson pension fund are commingled with the assets of OMERS (this type of commingled arrangement will not be offered going forward but will be grandfathered for existing arrangements).

OMERS asset mix is 60% public market investments and 40% private market investments (private equity, real estate and infrastructure).

Summary of Meeting With Public Sector Pension Plans (continued)

Through the OMERS subsidiary, third party pension plans would be offered a number of different asset classes (e.g., Canadian equity, global equity, fixed income, private equity, real estate and infrastructure). Therefore, university pension plans would retain the asset mix decision and their own governance structure.

The OMERS subsidiary would also be able to offer investment management services to university endowment funds as well. For both pension and endowment investments, services would include investment performance reporting.

The Working Group has requested additional information from OMERS:

- Examples of the transition arrangements where an existing pension plan joined OMERS as a participating employer.
- Governance structure for the subsidiary.
- Fee structure.

Meeting With Commonfund

The Common Fund for Nonprofit Organizations and its consolidated subsidiaries (collectively, “Commonfund Group”) provides investment management products and related services exclusively to nonprofit organizations and their related entities in the U.S., with a small number of university clients in Canada. The parent company of the organization, The Common Fund for Nonprofit Organizations, is a nonprofit membership corporation whose membership is limited to certain categories of educational institutions and their supporting organizations.

The Working Group met with representatives of the Commonfund to understand how they could create a similar structure in Canada to provide investment management services to Ontario universities under an approach where the assets of the universities were commingled for investment management purposes.

Benefit Security in the Absence of Solvency Funding for University Pension Plans

Pension Benefit Guarantee Fund Assessments

If university pension plans are granted a solvency funding exemption, it would likely follow that university pension plans would not be covered by the Pension Benefits Guarantee Fund (PBGF). This has implications for pension plan members that could be addressed by establishing a university self-insured wind-up scheme.

This section has been prepared to show the anticipated level of PBGF assessments to be paid by universities in the short term if university pension plans remain covered by the PBGF.

Once universities file their next required valuation, there will be a significant increase in PBGF assessments. For each university pension plan, the resulting PBGF assessment has been estimated based on the solvency liability and solvency deficiency estimates as of October 31, 2008. The table on the following page shows the estimated PBGF assessment by University based on the current PBGF premium structure. The PBGF premium structure is currently undergoing an actuarial assessment so the premium levels are likely to change.

Under the current rules, the maximum PBGF assessment is \$100 per pension plan member (active and inactive members). The estimated PBGF assessment has been shown before the maximum has been applied (i.e., based only on the solvency deficiency) and after the maximum has been applied. If there is a significant difference between these two amounts, it means the maximum will be in effect for a number of years even if the solvency deficiency is reduced.

Based on the solvency deficiency estimates as of October 31, 2008, the PBGF assessments for universities in the first year following the next filed actuarial valuation total approximately \$6 million.

Table 14—Pension Benefit Guarantee Fund Assessments Based on October 31, 2008 Estimated Solvency Deficiencies

University	Estimates as of October 31, 2008		Estimated PBGF Assessment Based on Solvency Deficiency ¹	
	Solvency Deficiency (\$000's)	Solvency Ratio	Before Maximum Applied (\$000's)	After Maximum Applied (\$000's)
University of Toronto	\$ 825,779	0.72	\$ 7,981	\$ 1,525
University of Toronto (OISE)	19,976	0.81	146	27
Queen's University	222,000	0.83	1,579	620
York University	270,000	Not Provided	-	715
University of Ottawa	95,400	0.92	482	482
McMaster University (Salaried)	294,342	0.74	2,716	563
McMaster University (Hourly)	11,299	0.72	109	94
University of Waterloo	78,200	0.91	396	396
University of Guelph (Professional)	203,000	0.72	1,946	236
University of Guelph (Staff)	81,000	0.71	773	256
University of Guelph (Non-Professional)	-	-	-	-
Carleton University	148,500	0.81	1,097	329
Ryerson University	-	-	-	-
University of Windsor (Faculty)	96,800	Not Provided	-	117
University of Windsor (Staff)	12,500	Not Provided	-	117
Wilfrid Laurier University	32,700	0.88	197	192
Laurentian University	4,190	0.98	22	22
Trent University (Faculty)	55,873	0.65	602	41
Trent University (Staff)	25,847	0.71	254	68
Lakehead University	20,600	Not Provided	-	74
Algoma University	<u>2,960</u>	Not Provided	-	<u>65</u>
Total	\$ 2,500,966			\$ 5,939

¹ 0.5% of Solvency Deficiency up to 10% of Solvency Liability, plus 1.0% of Solvency Deficiency between 10% and 20% of Solvency Liability, plus 1.5% of Solvency Deficiency in excess of 20% of Solvency Liability

Appendix A—Workplan for Working Group on University Pension Plans

Working Group on University Pension Plans

Workplan for Information Gathering and Analysis

Statement of and Agreement on Issues Relating to University Pension Plans

- Short-term issues
- Long-term issues
- Criteria for evaluating various approaches to address these issues

Background Information

Summary of Information on Existing DB Pension Plans and Hybrid Pension Plans

- Main benefit provisions and contribution provisions
- Numbers of members
- Current assets and asset mix
- Collective bargaining agents/associations representing plan members
- Current operating costs—investment management and non-investment management
- Special funding arrangements already in place

Comparison of University Pension Plans to Large Public Sector Pension Plans

- Benefit and contribution levels
- Governance structures

University-Wide Pension Arrangements in Other Provinces

- Participating universities and member groups
- Benefit and contribution structure
- Governance structure
- Asset management structure

Summary of Existing Special Regulatory Provisions for Universities in Other Provinces

- Permanent provisions
- Temporary provisions

Feasibility Analysis

Collective Bargaining Issues Under the Various Options

- Review of issues under each option
- Requirement for legislation
- Identify stakeholders to be consulted

Commingling Assets for Investment Management Purposes

- Options available through other plans or separate not-for-profit university asset management entity
- Cost/benefit analysis versus current structure (requires costs for internal resources)
- Ability to reflect university-specific risk and return targets
- Governance structure for universities
- Impact on managing endowment investments if pension assets commingled

Working Group on University Pension Plans

Workplan for Information Gathering and Analysis (continued)

Feasibility Analysis (continued)

Services Available From Existing Public Sector Pension Plans

- Evaluate services being offered and potential costs
- Funding implications
- Governance implications

Joint Governance/Joint Risk-Sharing Model

- Structure required for a jointly-governed plan
- Implications for various stakeholders

Merging Existing Pension Plans Into One Ontario University Pension Plan

- Issues and Implications

Merging Existing Pension Plans Into an Existing Public Sector Pension Plan

- Issues and Implications

Solvency Exemption for University Pension Plans

- PBGF Assessments paid by universities in most recent plan year
- Estimated PBGF Assessments based on solvency funded status as of October 31, 2008
- Assessment of potential risk
- Structure for self-insurance scheme

Principles for Going Concern Funding Across University Pension Plans

- Requirement to establish a funding policy
- Limitations on contribution holidays
- Credit structure for special payments
- Reserve requirements

Ontario University Pension Transfer Agreement

- Requirements for a university-wide agreement
- Common assumptions agreement

Appendix B—Pension Plan Governance Structure

Pension Plan Governance Structure

University of Toronto Pension Committee ¹		
Nature of the Committee	Composition	Key Responsibilities
Established by Governing Council	<ul style="list-style-type: none"> ■ sixteen (16) members ■ nine (9) members appointed by Governing Council ■ seven (7) members appointed by groups representing plan members including four (4) appointed by faculty association of which one (1) is a retiree 	<ul style="list-style-type: none"> ■ approving actuarial assumptions/methodologies and actuarial valuations ■ approving investment policy and reviewing investment performance of pension fund ■ overseeing day-to-day administration of the plan

¹ Established through recent arbitration award; not yet implemented

Pension Plan Governance Structure (continued)

Queen's University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Trustees	<ul style="list-style-type: none"> ■ eleven (11) members ■ two <i>ex officio</i> members ■ three (3) University designates ■ two (2) retired members of the plan ■ four (4) active members of the plan two (2) of whom are members of the academic staff and two (2) of whom are members of the support staff (unionized and non-unionized) ■ all members of the plan on the committee are appointed by the Board of Trustees on the recommendation of the Principal and/or Nominating Committee 	<ul style="list-style-type: none"> ■ determining all questions relating to the administration of the plan, including the interpretation and application of the provisions of the plan, and the eligibility, service, earnings and retirement dates of members; ■ reviewing the performance of the Trust Fund, and making recommendations to the Board regarding proposed changes to the plan or the appointment of the custodian of plan assets and/or investment counsellors; ■ advising the Director of Pensions, Investments and Insurance on communications to plan members about provisions of the plan; ■ providing opportunities for plan members and employee groups to submit suggestions and comments when significant changes to the plan are being considered.

Pension Plan Governance Structure (continued)

York University All University Committee on Pensions		
Nature of the Committee	Composition	Key Responsibilities
Advisory to the Vice-President, Finance & Administration (delegate of the Board of Governors)	<ul style="list-style-type: none"> ■ eleven (11) members ■ two (2) university designates ■ nine (9) plan members: <ul style="list-style-type: none"> — two (2) of whom are members of the faculty associations; — one (1) of whom is a member of staff association; — one (1) of whom is a member of confidential, managerial and professional association; — one (1) member from each of four (4) unions; and — one (1) of whom is a member of the retirees' association 	<ul style="list-style-type: none"> ■ reviewing practice regarding the scope and nature of the plan, considering proposals and opportunities for improving benefits under the plan, and making recommendations that are in the best interest of plan members; ■ all recommendations are submitted to the Vice-President, Finance & Administration for assessment regarding their impact on the University's financial operations and commitments, and their relation to its compensation policy and various collective agreements.

York University Pension Fund Board of Trustees (Pension Trustees)		
Nature of the Committee	Composition	Key Responsibilities
Advisory to Board of Governors	<ul style="list-style-type: none"> ■ sixteen (16) members ■ three (3) members of the Board of Governors ■ three (3) members of the administration recommended by the President ■ ten (10) plan members: <ul style="list-style-type: none"> — three (3) of whom are members of the faculty associations; — two (2) of whom are members of the staff association; — one (1) member from each of four (4) unions; and — one (1) of whom is a member of the retirees' association 	<ul style="list-style-type: none"> ■ approving the Statement of Investment Policies and Procedures, management structure, asset classes and target allocations for the Asset Mix Policy and other investment policies that are reasonable and necessary to provide for the prudent investment of the pension assets; ■ approving the appointment or termination of the investment managers, actuary, auditor, independent professional advisors and custodian, and Custodial Services and Securities Lending Agreements; ■ approving audited financial statements and annual operating budget for investment expenses; ■ monitoring achievement of fund objectives, fund and asset class performance, asset mix and manager allocations and annual operating expenses relative to operating budget; ■ ensuring compliance of the Sub-Committee on Investment Performance with the Terms of Reference and compliance with the Statement of Investment Policies and Procedures and all other investment policies.

Pension Plan Governance Structure (continued)

York University Sub-Committee on Investment Performance (SCIP)		
Nature of the Committee	Composition	Key Responsibilities
Advisory to Pension Trustees	<ul style="list-style-type: none"> ■ at least five (5) members ■ members to be appointed from some or all of: the Board of Governors; the Pension Trustees; University administrative officers with responsibilities in pension operations; expert advisors who are recognized in the pension investment community for their expertise and experience with investment issues ■ members appointed by the Pension Trustees in consultation with the President, the Chair of the Board of Governors and the SCIP 	<ul style="list-style-type: none"> ■ approving investment manager mandates; ■ approving the appointment or termination of performance evaluation service provider; ■ making recommendations to the Pension Trustees regarding changes to: the Statement of Investment Policies and Procedures; the management structure; asset classes and target allocations for the Asset Mix Policy; the appointment or termination of investment managers; and other investment policies that are reasonable and necessary to provide for the prudent investment of the pension assets; ■ monitoring compliance with investment policies and legal and regulatory requirements for the pension fund; ■ monitoring the performance of the fund, asset class and fund manager performance relative to return expectations and benchmarks; ■ monitoring the ongoing appropriateness and effectiveness of the pension investment program; ■ monitoring investment risk measures of the managers and total fund.

Pension Plan Governance Structure (continued)

University of Ottawa Pension Plan Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ fourteen (14) members ■ President as an <i>ex officio</i> member ■ Associate Vice-President, Human Resources ■ three (3) members appointed by the Board ■ four (4) members appointed by the association of professors ■ three (3) members appointed by the OSSTF ■ one (1) member appointed by PIPSC ■ one (1) member appointed by support staff retirees association ■ one (1) member appointed by association of retired professors 	<ul style="list-style-type: none"> ■ monitoring the administration of the pension fund to ensure compliance with the terms of plan by-laws, the pension fund expense policy and the Statement of Investment Policies and Procedures; ■ monitoring any proposed plan benefit modifications and advising the Board regarding these modifications and on any other matter which the committee has been asked to advise; ■ monitoring compliance with legislation, the funding of the plan and communications to members; ■ reviewing and recommending on the actuarial valuation, on policies relating to the administration of the pension fund, including the pension fund expense policy and the proposed annual budget of fees and expenses to be charged to the pension fund; ■ interpreting, as required, any matters relating the plan by-laws, the methods used for calculating benefits and determining the right to a benefit; ■ ensure that the University has satisfied all of its plan governance and fiduciary obligations.

University of Ottawa Pension Fund Investment Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ eight (8) members ■ three (3) neutral persons who is neither an employee of the University of Ottawa nor a member of the plan, one (1) of whom serves as Chair, all of whom are appointed by the Board of Governors ■ the Vice-Rector of Resources ■ two (2) members of the faculty association that are appointed by the Board of Governors ■ one (1) member of the plan also appointed by the Board of Governors 	<ul style="list-style-type: none"> ■ approving criteria for investment manager selection and performance criteria; ■ monitoring the performance of the trustee/custodian and the investment managers, and compliance with the Statement of Investment Policies and Procedures and applicable legislation; ■ making recommendations to the Executive Committee regarding the adoption of any investment managers mandates/contracts, securities lending agreements and trust/custodial agreements related to the plan; ■ making recommendations to the Executive Committee regarding the criteria for trustee/custodian selection and performance evaluations, and the appointment removal or retention of the trustee/custodian and investment managers.

Pension Plan Governance Structure (continued)

McMaster University Pension Trust Committee		
Nature of the Committee	Composition	Key Responsibilities
<p>Standing Committee of the Board of Governors</p>	<ul style="list-style-type: none"> ■ sixteen (16) members ■ four (4) <i>ex officio</i> members ■ four (4) appointed by the Finance Committee of the Board of Governors ■ eight (8) members of the plan: <ul style="list-style-type: none"> — three (3) of whom are members of the faculty association; — one (1) of whom is a member of the clinical faculty association; — two (2) of whom are members of CAW Local 555; — one (1) of whom is a member of the management group; and — one (1) of whom is from the retirees' association 	<ul style="list-style-type: none"> ■ making recommendations to the Board of Governors regarding general pension investment policy and the annual Statement of Investment Policies and Objectives; ■ monitoring and reviewing the performance of investment consultants and fund managers; ■ making recommendations to the Board of Governors regarding the appointment or replacement of the investment consultants and fund managers, and deviations or proposed deviations by fund managers from the Statement of Investment Policies and Procedures; ■ commenting and making recommendations to the Finance Committee on the performance and appointment of the actuary, and the actuarial methods and assumptions used in determining the financial condition of, and contributions to, the plan; ■ commenting and making recommendations to the Finance Committee on proposed changes to the plan text, and proposing changes to the plan text; ■ monitoring the administrative expenses paid from the plan and determining whether they are appropriate, and monitoring the annual calculation of the "Net Interest on the Fund" and the "Annual Pension Increase"; ■ discussing and promoting awareness and understanding of the plan to beneficiaries.

Pension Plan Governance Structure (continued)

University of Waterloo Pension and Benefits Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ thirteen (13) voting members ■ three (3) members of the faculty association, two (2) members of staff association, one (1) member of CUPE 793 and one (1) retiree ■ all members are appointed on the recommendation of the President except the Vice-President, Academic & Provost and Vice-President, Administration & Finance 	<ul style="list-style-type: none"> ■ making and enforcing rules and regulations for the effective management of the plan, and deciding all questions concerning the plan, including eligibility to participate in the plan; ■ preparing accounts and records showing the detailed operation of the plan and making an annual report to the Board of Governors; ■ recommending changes to pension and benefits plans to keep them current with respect to other universities and major employers, being mindful of the financial context in which the university operates; ■ reviewing the annual audit of the financial statements and recommending the investment policy to the Board for its approval; ■ appointing the actuary, commission research and making recommendations to the Board regarding the appointment of custodians/trustees and fund managers; ■ making policy decisions relevant to the administration of benefits plans and to periodically adjust plans as required to comply with legislation.

University of Waterloo Finance and Investment Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ up to seven (7) members ■ at least four must be external members of the Board of Governors, one (1) of whom must also be a member of the Audit Committee ■ no stipulated membership from plan members 	<ul style="list-style-type: none"> ■ reviewing and recommending all investment policies and guidelines to the Board of Governors, either directly or indirectly through the Pension and Benefits Committee; ■ annually assessing the terms of reference of the Pension and Benefits Committee; ■ assisting, advising and reviewing on matters relating to the appointment of custodians/trustees and fund managers.

Pension Plan Governance Structure (continued)

University of Guelph Pensions Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ twelve (12) members ■ five (5) university designates ■ the Board Chair ■ the President ■ five (5) members total from the two (2) pension plans: <ul style="list-style-type: none"> — two (2) of whom are members of the faculty plan; — two (2) of whom are members of the staff plan; and — one (1) of whom is a retiree of either plan and a member of the retirees' association 	<ul style="list-style-type: none"> ■ making recommendations to the Board of Governors relating to the governance structure for the plans and the documented roles and responsibilities for the university's decision-making and advisory bodies involved in the oversight and administration of the plans; ■ making recommendations to the Board of Governors regarding the design and text of any new plans or amendments to the existing plans, except for changes that affect current or future liabilities of the plans; ■ approving administrative changes to the text of the plans, except for changes that affect current or future liabilities of the plans; ■ appointing and monitoring the performance of the actuary and custodial trustee, and reviewing and approving the major actuarial assumptions used in the preparation of the actuarial reports and the annual audited financial statements of the plans; ■ monitoring the activities of the Investment Management Committee and review and approve the Statement of Investment Policies & Procedures; ■ monitoring on an annual basis the funded status of the plans; total fund investment performance; compliance with legislative requirements and with the Statement of Investment Policies & Procedures.

University of Guelph Investment Management Committee		
Nature of the Committee	Composition	Key Responsibilities
Advisory to Pensions Committee	<ul style="list-style-type: none"> ■ up to eight (8) members appointed by the Board of Trustees ■ the President or his/her designate ■ managing Director of the Heritage Trust (non-voting member) 	<ul style="list-style-type: none"> ■ reviewing, recommending and implementing the Statement of Investment Policies and Procedures and other investment policies and guidelines; ■ approving the appointment or termination of the investment managers; ■ reviewing and approving the investment managers' mandates; ■ monitoring the performance of investment managers and that pension investment performance is consistent with the Statement of Investment Policies and Procedures; ■ monitoring the ongoing appropriateness of and compliance with the Statement of Investment Policies and Procedures.

Pension Plan Governance Structure (continued)

Carleton University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Subcommittee of the Human Resources Committee of the Board of Governors	<ul style="list-style-type: none"> ■ eight (8) members ■ two (2) <i>ex officio</i> members ■ one (1) external member of Board ■ two (2) members appointed by the faculty association, one (1) of whom is typically a retiree ■ one (1) member appointed by CUPE 2424 ■ one (1) member appointed by CUPE 910, USWA 5297 and CUPE 3778 together ■ one (1) member elected by all other non-academic members of the Plan 	<ul style="list-style-type: none"> ■ recommending changes to the plan including plan design and contribution rates ■ approving actuarial assumptions/methodologies and approving actuarial valuations ■ reviewing and recommending acceptance of audited financial statements ■ reviewing Statement of Investment Policies and Procedures and recommending changes ■ monitoring performance of investment counsel

Pension Plan Governance Structure (continued)

Ryerson University Employee Relations and Pensions Committee		
Nature of the Committee	Composition	Key Responsibilities
<p>Standing Committee of the Board of Governors</p>	<ul style="list-style-type: none"> ■ nine (9) members, all of whom are members of the Board of Governors ■ one (1) member of the Board of Governors who is a member of the faculty, one (1) who is a member of the administrative staff and one (1) who is a student 	<ul style="list-style-type: none"> ■ amending the plan provided the amendment is necessary to comply with applicable legislation, does not affect benefit or contribution levels and is administrative in nature; ■ developing a recommended Statement of Investment Policies and Procedures; ■ recommending demographic assumptions upon which actuarial values of the plan will be based; ■ recommending funding targets and actuarial valuation methods for Ryerson's approval; ■ monitoring the investment of the fund for compliance with the Statement of Investment Policies and Procedures and applicable legislation; ■ reviewing the appropriateness of contribution and benefit levels for members having regard to the cost implications to Ryerson; ■ monitoring the activities performed by Ryerson employees responsible for the day-to-day investment transactions, funding, custodial transactions and administration of the plan and fund; ■ establishing and revising internal reporting, authorization, monitoring, completeness, accuracy and compliance controls and procedures regarding the carrying out of the committee's obligations; ■ monitoring and reviewing the investment philosophy, policies, asset mix and strategies, and recommending changes to the University as required; ■ appointing the investment manager(s) and funding agent(s), executing and amending any contracts necessary to give effect to those appointments and monitoring their remuneration and performance; ■ assisting Ryerson in ensuring that all required information and fees are filed with the regulatory authorities in compliance with applicable legislation such as, the annual information return and fees, audit financial statements, reciprocal agreements, pension adjustments, and the like; ■ assisting Ryerson in providing all required information to members of the plan and all other persons entitled to information; ■ assisting Ryerson in determining entitlements to benefits payable under the plan and authorizing the payment of such benefits.

Pension Plan Governance Structure (continued)

Ryerson University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ ten (10) voting members ■ four (4) university designates, ■ six (6) members of the plan: <ul style="list-style-type: none"> — two (2) of whom are members of the faculty association; — two (2) of whom are members of OPSEU 596; — one (1) of whom is a member of MAC; and — one (1) of whom is a member of CUPE 233 	<ul style="list-style-type: none"> ■ monitoring and reporting to the respective principles on the administration of the plan and make recommendations; ■ promoting awareness and understanding of the plan to beneficiaries; ■ annually reviewing the pension fund, financial statements and the trustee's report; ■ reviewing and advising the administrator on reciprocal agreements; ■ reviewing and recommending changes to the actuarial assumptions and method of valuation; ■ recommending amendments to the plan and changes to the benefit level and appropriate funding requirements.

Pension Plan Governance Structure (continued)

University of Windsor Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ ten (10) members ■ Vice-President, Finance and Services ■ Director of Human Resources ■ four (4) members selected by the Board ■ two (2) members of the faculty ■ two (2) members of the support staff 	<ul style="list-style-type: none"> ■ reviewing the operation of the pension plans including funding policy, benefit design, investment performance and administration ■ preparing recommendations to the Board if changes are required

Pension Plan Governance Structure (continued)

Wilfrid Laurier University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ twelve (12) members ■ six (6) university designates ■ six (6) appointees of the Nominations Committee, two (2) of whom are members of faculty, two (2) of whom are members of the staff and one (1) of whom is a retiree 	<ul style="list-style-type: none"> ■ ensuring that the University has satisfied all of its plan governance and fiduciary obligations; ■ reviewing legislation regarding plan administration and ensure system are established to facilitate monitoring of the Board's governance role; ■ reviewing and making recommendations regarding all relationships with third party service providers related to plan administration, including the appointment of the actuary and administrator; ■ monitoring the performance of plan investments and making recommendations regarding the appointment of investment consultants and fund managers; ■ monitoring to ensure plan investments and funding are managed according to law and Board investment policy.

Pension Plan Governance Structure (continued)

Laurentian University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Advisory to the Board of Governors	<ul style="list-style-type: none"> ■ thirteen (13) voting members; three (3) non-voting members ■ three (3) members appointed by Finance Committee of Board ■ three (3) members from the faculty association ■ four (4) members from the staff union ■ three (3) members from the Federated Universities 	<ul style="list-style-type: none"> ■ making recommendations to the Board on general investment policy and the Statement of Investment Policies and Objectives; ■ monitoring and reviewing the performance of fund managers and investment consultants and making recommendations to the Board regarding appointment or replacement; ■ commenting and making recommendations to the Finance Committee on the actuarial assumptions/methodologies used in the actuarial valuation; ■ commenting and making recommendations to the Finance Committee on proposed change to the plan text and proposing changes to the plan text; ■ promoting awareness and understanding of the plan to the plan beneficiaries.

Pension Plan Governance Structure (continued)

Brock University Pension Committee		
Nature of the Committee	Composition	Key Responsibilities
Sub-committee of the Financial Planning, Audit and Human Resources Committee of the Board of Trustees	<ul style="list-style-type: none"> ■ fifteen (15) members ■ three (3) ex officio members ■ one (1) member appointed by the Board of Trustees ■ eleven (11) members of the plan: <ul style="list-style-type: none"> — seven (7) of whom are members of the faculty association; — one (1) of whom is a member of staff; — one (1) of whom is a member of OSSTF; — one (1) of whom is a member of CUPE 1295; and — one (1) of whom is a member of the retirees' association ■ all members of the plan on the committee are appointed by the Board of Trustees on the recommendation of the President 	<ul style="list-style-type: none"> ■ keeping the plan under review, studying matters of interest to members of the plan and taking account of their impact on the plan; ■ maintaining a review of the investment performance of the Trust Fund.

Pension Plan Governance Structure (continued)

Trent University Pension Subcommittee (for each plan)		
Nature of the Committee	Composition	Key Responsibilities
Established jointly by agreement between Board of Governors and Faculty Association or OPSEU, as applicable, as a subcommittee of the Joint Committee on the Administration of the Collective Agreement	<ul style="list-style-type: none"> ■ six (6) members ■ three (3) representatives of the Board of Governors, one of whom must be the senior administrative official responsible to the Board of Governors for the plan ■ for faculty plan, three (3) members of the faculty association to be appointed by the faculty association ■ for staff plan, three (3) members of OPSEU 365 and one (1) member from exempt staff 	<ul style="list-style-type: none"> ■ establishing its own bylaws; ■ receiving copies of the audited financial statements, quarterly reports on the investment performance of the pension fund, the excess investment earnings report and other reports and Valuations by the actuary, and any modifications or amendments proposed or made to the Memorandum on Actuarial Assumptions or the Statement of Investment Policies and Goals; ■ making recommendations to the Board of Governors regarding the appointment of the actuary and financial carrier; ■ having consultations with the University before the University amends its Statement of Investment Policies and Goals of the plan; ■ annually reporting to the Board of Governors and the faculty association; ■ monitoring the plan and consider and make recommendations to the Board of governors and the faculty association regarding amendments to the plan; ■ discussing matters relating to the plan and the investment portfolio, as required, with the Investment & Audit Committee.

Pension Plan Governance Structure (continued)

Trent University Investment & Audit Committee		
Nature of the Committee	Composition	Key Responsibilities
Standing Committee of the Board of Governors	<ul style="list-style-type: none"> ■ two (2) ex officio members ■ such other members of the Board of Governors as the Board of Governors considers appropriate ■ such other members as the Board of Governors considers appropriate provided that they are not members of the Board of Governors ■ members of the Board of Governors will form a majority of the members of the Committee 	<ul style="list-style-type: none"> ■ reviewing and recommending for approval to the Board of Governors investment and distribution policies, audited financial statements and actuarial valuations; ■ monitoring the financial health, administration and governance of the plans; ■ making recommendations regarding the appointment of the actuary and external auditors; ■ appointing the custodians/trustees and investment managers; ■ assisting in the selection of pension consultants and investment performance appraisal services; ■ monitoring compliance with applicable legislation, other regulatory and government accountability requirements and risk assessment practices; ■ making recommendations regarding risk management or other areas of the board of Governors' accountability.

Appendix C—Presentation for Meetings With Stakeholders

Council of Ontario Universities

Working Group on
University Pension Plans

COUNCIL OF ONTARIO
UNIVERSITIES

Presentation for Meetings With Stakeholders

December 2009/January 2010

Objectives for Stakeholder Meetings

- Provide an update on the Working Group process and findings to date
- Solicit input from stakeholders

Goals for All Stakeholders

- To ensure an effective and sustainable pension system for Ontario universities, with reasonable risk sharing and greater cost certainty for universities and members
- To continue to recognize the importance of pensions in the total compensation package of university faculty and staff
- To have a system that facilitates the systematic retirement of faculty and staff with safe and secure retirement income

Background and Context

- Many Ontario universities are facing a pension funding crisis
- Ongoing dialogue with Government on how to address pension funding issues without severely impairing some universities ability to fulfill their academic mission and at the same time ensuring pension plans are sustainable
- Government has expressed concerns over sustainability of some university pension plans without a reconfiguration of current cost sharing with members and without an improvement in cost efficiency of operating the plans

Background and Context (continued)

- Ontario universities have been seeking an exemption from solvency funding requirements since 2004 to provide universities with more cost certainty in operating their pension plans
- In that period, Quebec, Manitoba and Alberta have provided their universities with a permanent exemption from solvency funding subject to various terms and conditions
- Report of the Expert Commission on Pensions (Arthurs' Report) acknowledged the solvency funding issue for universities but essentially recommended that an exemption from solvency funding only be available to jointly-sponsored pension plans or to a new form of plan called the jointly-governed target benefit plan

Background and Context (continued)

- Recommendation in Arthurs' Report promoting large scale pension plans generated a flurry of suggestions from outside of the university community that pension plans of Ontario universities should be combined
- Working Group on University Pension Plans created with a mandate to examine alternatives that would enhance the long-term viability and sustainability of university pension plans

Pension Funding Update

- Going concern and solvency special payments based on updated funded status as of June 30/July 1, 2009:

Date of Update	Annual Special Payments for 22 Pension Plans			Percentage of Operating Grants
	Going Concern (millions)	Solvency (millions)	Total (millions)	
October 31, 2008				
Without Solvency Relief	\$ 256	\$ 310	\$ 566	
With Solvency Relief	\$ 256	\$ 75	\$ 331	
June 30/July 1, 2009				
Without Solvency Relief	\$ 298	\$ 257	\$ 555	18%
With Solvency Relief	\$ 298	\$ 51	\$ 349	11%

Considerations Within Mandate of Working Group

- Feasibility of merging existing defined benefit and/or hybrid pension plans into one Ontario university pension plan, into an existing public sector pension plan or other viable options as identified by the Arthurs' Report
- Feasibility of commingling some or all of the assets maintained in separate pension plans for investment management purposes to achieve economies of scale
- Feasibility of establishing a university self insurance wind-up scheme

Considerations Within Mandate of Working Group (continued)

- University-specific principles for going concern funding to maintain long-term health and viability of pension plans
- The contributions/benefits relationship under university pension plans
- Enhanced portability through a pension transfer agreement for Ontario universities and with the broader public sector (analogous to the pension transfer agreement in place for the Major Ontario Pension Plans (MOPPs))
- Other recommendations in the Arthurs' Report that could be implemented for universities

Implications of the Arthurs' Report

- Created more uncertainty for many universities because of recommendations around solvency funding
- Used joint governance and joint risk sharing as the underpinning of many of the recommendations which are both difficult for universities to implement
- Promoted larger scale for pension plans

Arthurs' Recommendations that Impact Sector

- Jointly-sponsored pension plans should be required to fund only according to going concern valuations (this would exempt most of the large jointly-sponsored public sector pension plans from solvency funding):
 - Characteristics of these plans include: sponsorship and governance is joint with members; accrued benefits, including pensions in pay, may be reduced on plan wind-up; no Pension Benefits Guarantee Fund ("PBGF") coverage; cost-sharing is typically 50/50
- Jointly-sponsored pension plans should be allowed more flexibility in funding than single-employer pension plans which should be subject to stricter rules

Arthurs' Recommendations that Impact Sector (continued)

- Going concern and solvency valuations should no longer permit exclusion of promised indexation benefits
- Solvency valuations should no longer permit asset smoothing practices
- Plan sponsors should be entitled to reduce or omit their contributions in any plan year in which it is funded at 105% or more of its solvency liabilities
- Pension policy and legislation should facilitate the growth and operation of large-scale pension plans or to enable and encourage cooperation among small- and medium-sized pension plans

Working Group Process and Findings To Date

- Impact of solvency funding requirements on Ontario universities:
 - Even with temporary solvency relief provisions that have been introduced (which require member consent), combination of going concern and solvency special payments will significantly impact university operating budgets
 - Arthurs' Report recommendations to include indexation provisions in solvency liabilities would add \$2.5 billion to solvency deficiencies in university pension plans

Working Group Process and Findings To Date (continued)

- Feasibility of merging university pension plans or joining an existing public sector pension plan:
 - Extent to which pensions are subject to collective bargaining is a significant factor in limiting the feasibility of these options
 - Limited ability to join an existing public sector pension plan as large public sector pension plans more focused on offering investment management services

Working Group Process and Findings To Date (continued)

- Feasibility of other viable options identified by Arthurs' Report such as joint governance/joint-risk sharing model:
 - Well developed governance structures already in place for university pension plans with participation of both active and retired members
 - Move to full joint governance would require 50/50 member/university risk sharing
 - PBGF coverage would not apply

Working Group Process and Findings To Date (continued)

- Feasibility of commingling assets for investment management purposes:
 - Options being assessed include: investment management services provided by large public sector pension plans, an organization such as Commonfund, or creating a university-owned asset management entity
 - Any option being considered would have to allow universities to retain control of the asset mix decision, if desired

Working Group Process and Findings To Date (continued)

- Feasibility of establishing a university self insurance wind-up scheme:
 - Exemption from solvency funding would likely be accompanied by elimination of PBGF coverage
 - University self-insured wind-up scheme could replace that, with higher levels of coverage
 - Under current PBGF assessment structure, once all universities have filed their next actuarial valuations, annual PBGF premiums will total approximately \$6 million

Working Group Process and Findings To Date (continued)

- Contribution/benefits relationship under university pension plans:
 - Government is focusing on level of member contribution rates and benefit changes made to the large public sector pension plans to address funding issues—these plans have increased their contribution rates and in some case reduced their automatic indexation provisions
 - Changes to contribution rates/benefits are, in most cases, subject to the bargaining process

Next Steps

- Share stakeholder input with all members of Working Group
- Working Group is scheduled to present its Final Report winter 2010

Input

- Your thoughts/comments