Funding Plan

A detailed funding plan has been developed to show how the pension plan could be modified such that its provisions are consistent with the intent of the Ontario government’s relief regime. The funding plan has been developed based on prospective pension plan changes that have been or could be introduced for discussion with the collective bargaining agents (CBAs) and non-represented employees. As required by the Ministry of Finance, the University is sharing the detailed funding plan with employees and will also share the detailed funding plan with retirees.

There are four types of plan design changes that have been identified to reduce the cost based on comparisons to other pension plans in the broader public sector:

1. Review the pension formula, mainly related to the integration level used to determine the pension and employee contributions, which is different than the true YMPE, and the 1.5% minimum accrual.

2. Review the indexation formula, which is guaranteed irrespective of the pension plan’s financial health.

3. Review the retirement age, mainly related to low service employees due to unreduced retirement of age 60 without a minimum service condition.

4. Review the cost sharing arrangement between the University and its employees to achieve better balance and more predictable costs for the University.

A combination of some or all of the prospective pension plan design changes identified above is expected to meet the minimum savings target, details of which are provided below.

The minimum savings target of the pension plan has been calculated in accordance with the savings target section of the Details of Temporary Solvency Funding Relief for Certain Pension Plans in the Broader Public Sector published by the Ministry of Finance, which is dated August 24, 2010. The minimum savings target, based on the previous valuations filed with FSCO and the current actuarial valuation as at January 1, 2013, is 4.66%. This represents a permanent decrease in the University’s current service cost of approximately 1.0% of payroll and is a minimum requirement of the Ministry to qualify for funding relief; however, this may not meet the sustainability objective of the University for the pension plan.

In addition, the Government of Ontario has clearly indicated that the cost sharing objective of broader public sector pension plans is 50%/50%.

The University has initiated discussions on the savings target, funding plan and sustainability objectives with pension plan members’ representatives.