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New Supplementary Account Plan and Pension Contribution Offsets

December 21, 2018

Announcement from UTFA

---Revised---

UTFA and the U of T Administration have recently reached agreement on two important issues related to the proposed University Pension Plan (UPP):

1. pension contribution increases, with corresponding across the board salary increases to offset those same pension contribution increases
2. a supplementary account plan (SAP) for higher earners

Both 1 and 2 are *conditional* on UTFA's consent to the conversion to the UPP. If UTFA members vote against the UPP, the SAP and the offsets will not be implemented.

With respect to pension contributions, UTFA took the position right from the beginning of our discussions with the Administration that reducing the employer's ongoing total compensation costs was not the objective of the proposed conversion to the UPP. This meant that, while UTFA recognized that 50/50 cost sharing was built into the structure of a jointly sponsored pension plan, the move to 50/50 contribution sharing should not result in a net loss for UTFA members.

Details on Pension Contribution Increases and Offsets:
The current contribution rates are 7.15% of pensionable salary up to the Canada Pension Plan (CPP) maximum salary and 9.5% of pensionable salary over the CPP maximum salary. If consent to the UPP conversion is given by UTFA, member pension contributions will increase by approximately 2% of salary.

The increases and offsets will affect salaries up to the Canada Revenue Agency (CRA) maximum. There will be no impact on the portion of salary above the CRA maximum. (Note that the CPP and CRA maximums are different.)

The contribution increases and offsets will occur in two steps:

- On July 1, 2019: member contributions under the UPP will be 8.2% of pensionable salary up to the CPP maximum salary and 10.5% of pensionable salary over the CPP maximum salary; and
- On July 1, 2020: member contributions under the UPP will be 9.2% of pensionable salary up to the CPP maximum salary and 11.5% of pensionable salary over the CPP maximum salary.
- On each of those dates, UTFA members' salaries will be increased by 0.9%, up to the CRA maximum.
- Because the salary increases result in slightly higher pensions, those salary increases will fully offset the contribution increases.

Details on the SAP:
As part of the package, UTFA also negotiated a new Supplementary Account Plan (SAP) to provide retirement saving coverage for earnings above the CRA maximum earnings.

- Under the new SAP, the University will credit an account for each eligible UPP member with 10% of earnings between the earnings at which the CRA maximum pension is reached (currently $165,000) and a maximum of $250,000.
- In effect, the SAP is based on extending the employer's share of contributions to the UPP (10% of earnings) to this maximum ($250,000).
- Members will not contribute to the SAP. Only the University will contribute.The Supplementary Account will also be credited with interest each year until retirement or termination of employment.
- Annual interest credited will be based on the rate of return earned by the investments of the UPP in the previous year, or alternative measure as agreed between UTFA and the Administration.
- When a member retires or terminates employment, the accumulated Account will be paid out in cash, over a period of up to 10 years.
- The earnings floor and ceiling in the SAP will be tied to changes in the CRA maximum pension, so there will be no risk of the plan sinking under water.

The new SAP is conditional on the successful conversion to the UPP and would take effect on the first day of operation of the UPP, if members consent to the conversion, and will be conditional on consent.

REMINDERS:

- It is important to remember that when your pension is calculated, the pension plan will use the current rules for all of your years of service completed before the UPP is up and running. Only pensionable service under the UPP will be calculated on the UPP's rules. So all of us currently employed at U of T will accrue pensions that are based on two sets of rules. Only those hired after the inception of the UPP will be covered solely by the UPP's rules.

See the UPP website for more information on the proposed plan.
http://www.universitypension.ca

Please direct any pension questions to faculty@utfa.org.

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