

MEMORANDUM OF SETTLEMENT

BETWEEN:

THE GOVERNING COUNCIL
OF THE UNIVERSITY OF TORONTO
(hereinafter referred to as "the University")

and

THE UNIVERSITY OF TORONTO FACULTY ASSOCIATION
(hereinafter referred to as "the Association")

The negotiating committees of the University and the Association have met and negotiated pursuant to the provisions of Article 6 of the Memorandum of Agreement and have reached agreement on salary and benefits for faculty and librarians.

The negotiating committees agree to recommend this settlement unanimously to their respective principals.

The terms of the agreement are as follows:

1. **TERM**

The agreement is for three years beginning July 1, 1996 and ending June 30, 1999.

2. **COMPENSATION**

PTR

Normal PTR in each year of the agreement, commencing on July 1 of each year (PTR for 1996/97 is retroactive to July 1/96, as previously agreed upon between the parties as part of the Social Contract Agreement of August 1, 1993).

Additional PTR

Commencing July 1/97, there shall be an additional PTR award for all faculty and librarians.

Across-the-Board Increases

July 1/97: 0.5%

July 1/98: 1.5%

3. PENSIONS

A. Supplemental Retirement Arrangement (SRA)

Under the provisions of the *Income Tax Act (Canada)*, the maximum defined benefit pension payable from a registered pension plan is \$1,722.22 per year of pensionable service.

As a result of limitations or "caps" imposed by law on the University of Toronto Pension Plan ("the University Pension Plan"), faculty members and librarians earning in excess of approximately \$98,500 per year are not entitled to receive any pension benefits on those excess earnings.

In order to address this issue, the parties have agreed to the implementation of a Supplemental Retirement Arrangement ("SRA") for faculty members and librarians which will provide supplemental pension benefits in excess of the prescribed benefit limits under the Plan.

The University will provide a supplementary pension on earnings above the cap up to a maximum salary in the plan year starting July 1, 1996, of \$135,000 per annum, increasing in each subsequent plan year by \$3,000.00 per year to a maximum salary of \$150,000.00. The implementation of the increments is contingent on the funded status of the pension plan and the advice of the plan's actuaries. The SRA will apply to the pension benefit for all pensionable service for active members in the University Pension Plan on July 1, 1996. The SRA will also be extended to faculty members and librarians who are active members in the OISE/UT Pension Plan on July 1, 1996.

The University will accumulate funds outside the University Pension Plan in respect of the SRA, but, in order to comply with Revenue Canada rulings, such funds cannot be irrevocably earmarked for pension purposes. For the past service obligation, this will be accomplished by setting aside funds from future employer contribution holidays. The plan is in surplus and the plan's actuaries have advised us that funds will likely be available for this purpose.

The details of the SRA are as follows:

As from July 1, 1996, there shall be a Supplemental Retirement Arrangement ("SRA") to provide pension benefits in excess of the *Income Tax Act (Canada)* maximum pension. The terms and conditions of the SRA are as follows:

- (i) The SRA will apply to the pension benefit for all years of pensionable service, for active members in the University Pension Plan on July 1, 1996.
- (ii) The annual pension benefit payable under the SRA will be calculated as:

A minus B minus C

Where:

- A is the annual pension benefit determined under the provisions of the University Pension Plan, without application of the Tax Act maximum pension. For the purposes of calculating such pension benefits, the salary (as defined in the University Pension Plan) used in any plan year for purposes of calculating highest average salary (as defined in the University Pension Plan) shall be limited to \$135,000 per year. The maximum salary of \$135,000 per year shall increase by \$3,000 each plan year starting July 1, 1997, to a maximum salary of \$150,000 per year. These increases are contingent on there being sufficient surplus in the University Pension Plan and on the advice of the actuary.
- B is the annual pension benefit payable under the provisions of the University Pension Plan; and
- C is the annual pension benefit attributable to a "notional account" in respect of the period from July 1, 1986 onward, determined to be the aggregate of:
- (a) for the period from July 1, 1986 to June 30, 1997, the accumulated required member contributions for each plan year that would have been made under the University Pension Plan in that plan year calculated by applying the member required contribution formula in effect for the plan year to the actual salary (subject to the maximum salary at the time of the calculation of the pension being applied to the plan year in question), and CPP maximum salary in the plan year, less the maximum contribution ceiling in effect under the University Pension Plan for each plan year. Maximum member required contributions in effect for each year were as follows:
 - July 1, 1986 to June 30, 1992 - \$4,287.50 per year
 - July 1, 1992 to June 30, 1997 - \$5,166.67 per year
 - (b) for the period from July 1, 1997 onward, the contribution on any additional salary recognized for a prior plan year in this period by virtue of the increase in the maximum salary
 - (c) interest thereon from the time that such contributions would have been made, had they been permitted under the University Pension

Plan to the earlier of retirement, termination or death, calculated at the rate applicable to member contributions under University Pension Plan

and converted using appropriate actuarial principles at the time of retirement, termination, death or disability, into an annual pension in the same form as the pension payable under the SRA and the University Pension Plan.

- (iii) In the event of the member's retirement, termination, death or disability, the pension benefits payable under the SRA will be paid at the same time and in the same form as the pension benefits payable under the University Pension Plan. However, in the case of termination of employment prior to early retirement age, any payment of the commuted value of pension benefits to which the member would be entitled under the SRA will be paid in the form of a taxable lump sum (i.e., no transfer of those amounts to an RRSP would be permitted). The University reserves the right to commute the payment of small amounts.
- (iv) In conjunction with the introduction of the SRA, the maximum member required contribution under the University Pension Plan will be determined by applying the required member contribution formula (before any contribution holiday) to the maximum salary under the SRA as defined in (ii) A above.
- (v) The pension benefit payable to a member under the SRA will be indexed under the same formula and in the same manner as the pension benefits under the University Pension Plan.
- (vi) References in the Voluntary Early Academic Retirement Program ("VEARP") to the University Pension Plan shall now include the SRA. This means that the retiring allowance under VEARP must be used to waive part or all of the 3% early retirement reduction applied to the pension under the University Pension Plan and the SRA, subject to (vii) below.
- (vii) For a member who has elected prior to June 16, 1997, to retire under VEARP at a date subsequent to June 16, 1997, the pension changes agreed to in this memorandum shall apply in calculating the pension benefit for the member. The 3% per year early retirement reduction will be applied to the additional pension arising from the pension changes in this memorandum (i.e. SRA, accrual rate below the YMPE, and 60% joint and survivor pension), unless the member elects to use the retiring allowance, as determined at the time of election to retire, to waive all or part (if not sufficient funds to waive all) of that reduction, subject to applicable laws.
- (viii) The terms of the SRA shall apply in the manner set out in the letter from Professor Finlayson to Professor Gerson, dated December 16, 1997 in calculating

the pension benefits of members of the University Pension Plan who retired on June 30, 1996 under the VEARP.

- (ix) The University will accumulate funds outside the University Pension Plan in respect of the obligations under the SRA, but such funds will not be irrevocably earmarked for pension obligations. The SRA will not be considered a Retirement Compensation Arrangement ("RCA") under the Tax Act, provided the funds:
 - (a) do not constitute trust property;
 - (b) will be available to satisfy the claims of the University's creditors, if necessary;
 - (c) may be applied to any other purpose that the University may determine from time to time;
 - (d) will be commingled with other assets of the University; and
 - (e) will not be subject to direct claim of any members of the SRA.
- (x) Provided there is a sufficient surplus in the University Pension Plan, the University intends to set aside in University funds part or all of the University current service cost not made to the University Pension Plan, subject to the treatment of such funds described above, and shall continue to do so, until the funds (including related investment income) equal the past service liability of the SRA, as certified by the actuary.

The University will prepare a plan document for the SRA and such document will be made available to members under the same terms and conditions as apply to the plan document for the University Pension Plan.

The University will provide the University of Toronto Faculty Association ("the Association") with an actuarial certification of the obligations under the SRA at the same time the University provides the Association with a copy of the funding actuarial valuation report of the University Pension Plan.

B. Accrual Rate Below the YMPE

There will be an adjustment to the accrual rate on earnings below the three-year average YMPE for active members in the University Pension Plan on July 1, 1996.

Effective July 1, 1992, that accrual rate was increased from 1.0% to 1.3% for pensionable service after July 1, 1992; however, the 1.0% accrual rate continued to apply to pre-July 1, 1992 pensionable service.

The 1.3% accrual will be now extended to pre-July 1, 1992 pensionable service.

The University Pension Plan will be amended, for active members on July 1, 1996, as follows:

The accrual rate under the pension formula on that portion of the member's highest average salary (as defined in the University Pension Plan) up to the average CPP maximum salary (as defined in the University Pension Plan) will be increased from 1.0% to 1.3% for pensionable service prior to July 1, 1992.

For pensionable service from January 1, 1990 to July 1, 1992, the increase in accrual rate will create a Past Service Pension Adjustment ("PSPA") as defined under the *Income Tax Act* (Canada). The University will make the necessary filings with Revenue Canada to report such PSPA.

C. Part-Time Pension Benefits

The University Pension Plan will be amended, for active members on July 1, 1996, as follows:

- (i) The annual pension benefit of a member in respect of employment with the University prior to July 1, 1987 on a part-time basis will equal 2% of the member's Indexed Salary during each plan year. The Indexed Salary is the actual salary of the member in the plan year while in part-time employment, indexed by the increase in the Average Industrial Wage between the end of the plan year in question and the beginning of the plan year in which the member retires, terminates or dies while in active service of the University, whichever occurs first.
- (ii) The normal form of pension benefit for all part time service under the University Pension Plan for a member who has a spouse or dependent child (as defined under the University Pension Plan) on the pension commencement date will be the "60% joint-and-survivor pension".

D. Pre-Retirement Death Benefits

The University Pension Plan will be amended, for active members on July 1, 1997, as follows:

In the event a member dies while in active service of the University, or after termination of continuous service but prior to the commencement of pension benefits under the University Pension Plan, the death benefit payable in respect of pensionable service prior to January 1, 1987 will be equal to the commuted value of the pension benefit (i.e. the same death benefit payable in respect of pensionable service on or after January 1, 1987), subject to integration with the "widow's pension" applicable to pensionable service prior to November 1, 1975.

In conjunction with the above, which eliminates the difference in death benefits for pre and post-January 1, 1987 pensionable service, the University Pension Plan will be amended for active members on July 1, 1997 to:

- Eliminate the cash refund of pre-January 1, 1987 member contributions with interest (as defined under the University Pension Plan) available to a terminating member who has not attained age 45 or who has not completed at least ten years of service.
- Extend the "50% cost-sharing rule" to pension benefits earned in respect of pensionable service up to January 1, 1987.

E. **Enhanced Survivor Benefits**

The University Pension Plan will be amended, for active members on July 1, 1996, as follows:

The 50% survivor benefits provided to a spouse or dependent child (as defined in the University Pension Plan) on the member's death will be increased to 60%. If the spouse of the member is more than 10 years younger than the member, the member's pension will be actuarially reduced to reflect the number of years in excess of 10 that the spouse is younger than the member.

This provision will be extended to Faculty members and librarians who are active members of the OISE/UT Pension Plan on July 1, 1996, in respect of the period of pensionable service for which the University Pension Plan provisions apply.

F. **Augmentation for Pensioners**

The University Pension Plan will be amended effective July 1, 1997 to augment pensions as of July 1, 1997 as follows:

Pensions being paid to a retired member or to the spouse or on behalf of the dependent child of a deceased member and survivor pensions being paid pursuant to section 11.01 of the University Pension Plan (benefits for pensionable service prior to November 1, 1975) except pensions being paid from the Teachers Insurance and Annuity Association and the Government Annuities Branch under prior plans, will be adjusted by the percentage calculated as follows:

The percentage that brings the cumulative increases provided through indexation and previous augmentations up to 100% of the increase in the Consumer Price Index (as defined in the University Pension Plan) since retirement, where all retirements in a given calendar year were assumed to occur on June 30. However, if the percentage is negative, no adjustment shall be made to the pension.

G. Partial Pension Contribution Holiday

In the last two years of the agreement, the members of the University Pension Plan shall make no contributions to the University Pension Plan on salary up to the earnings level at which the *Income Tax Act* maximum pension is reached (approximately \$98,500.00). Members will contribute to the University Pension Plan 6% of their salary above the earnings level at which the *Income Tax Act* maximum pension is reached up to the maximum salary covered under the SRA.

This provision will be extended to the OISE/UT Pension Plan in respect of faculty members and librarians who are members of the OISE/UT Pension Plan.

4. TUTORS

In order to finally resolve all outstanding Pay Equity complaints related to tutors, the University agrees to implement an across the-board salary increase for tutors of 3% effective July 1, 1997 or as soon thereafter as the conditions outlined below are satisfied.

The Association agrees to withdraw as representative of the Pay Equity complainants with respect to all complaints made under the *Pay Equity Act* with respect to Tutors and Senior Tutors at the University forthwith upon signing of this agreement and will use its best efforts to obtain written agreement from the complainants to withdraw all complaints under the *Pay Equity Act*. The Association acknowledges and agrees that all issues with respect to Pay Equity claims by Tutors and Senior Tutors have been resolved to its satisfaction and will so advise the Pay Equity Commission.

UTS Tutors

On July 1, 1997, UTS tutors on the UTS salary grid and who are not eligible for PTR increases shall receive an additional step increase.

5. BENEFITS: EXTENDED HEALTH CARE PLAN AND DENTAL PLAN

The parties agree on the following changes:

1. Coverage for Psychologists to be continued with maximum benefit payable capped at \$2500.00 per individual covered per plan year.
2. Coverage for Massage Therapists to be continued with maximum benefit payable capped at \$500.00 per individual per plan year. Where required by a treating physician, a person may exceed this limit with appropriate medical documentation.
3. Drug Plan - dispensing fee for prescription drugs to be capped at \$6.50 per prescription.
4. Drug Plan - exclude Over-the-Counter Drugs from coverage under the Plan.

5. The adult dental exam recall period to be extended from 6 months to 9 months.
6. Vision Care coverage to be eliminated.

The Association and the Administration agree to form a Committee with equal representation which will report on the plan experience with respect to caps on psychologists and massage therapists over the term of the agreement and which will recommend adjustments to the caps for 1998/99 and which will make recommendations with respect to an EAP.

SPECIAL COMMITTEE ON THE ADVISABILITY OF MANDATORY DUES FOR NEW FACULTY MEMBERS AND LIBRARIANS

Outside of Article 6 salary and benefits negotiations, the parties agree to create a Special Committee of six persons, three appointed by each party, to inquire into, review and report to the University community, the Association's Council and Governing Council on the advisability of amending the Memorandum of Agreement to include a provision making mandatory dues payment to the Association (or equivalent payment to an agreed upon charity) for new faculty members and librarians. The Special Committee will be appointed by July 15, 1997, and complete its work and reporting by October 31, 1997. The Special Committee shall endeavour to come to a unanimous report. In this event, the parties agree to put the report before the Association's Council and the Governing Council for decision. If the Special Committee report is not unanimous, either party may ask the panel of Judge Gold, Roy Heenan and Jeffrey Sack to convene a hearing and then issue a report including its opinion and recommendations on this issue and the parties agree to place the panel's report in a timely manner before the Association's Council and the Governing Council for decision.

DATED at Toronto this 16th day of June, 1997.

UNIVERSITY OF TORONTO
FACULTY ASSOCIATION



UNIVERSITY OF TORONTO


