Introduction

This document contains questions submitted to OPSEU Local 365 via email and at the general meeting held February 21, 2019 in Wenjack Theatre. We will update this document regularly as we receive further questions.

You can find information about the OPSEU Local 365 Pension on the OPSEU Local 365 website at https://www.opseu365.com/pension, and via periodic bulletins that will be distributed via email.

If you have any questions about the pension and its possible future paths, please submit your question via email to opseu@trentu.ca.

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FAQ

Q1: When did we agree to change the earliest unreduced early retirement age from 60 to 62?

The early retirement concession happened in the 2012-15 contract agreement. You will find the details in Appendix VI, page 92.

The three pension concessions listed in Release #2 happened at different times:

- our contribution rate has increased in several agreements over many years, since the late 1990s. In our latest agreement we conceded to an increase that is coming in July 2020 to 9.8%.
- early retirement change, as mentioned above, was part of the 2012 agreement.
- the number of consecutive years change happened in the 2012-15 agreement (page 52).

Q2: Can you explain the YMPE?

YMPE, Yearly Maximum Pensionable Earnings, is a dollar figure set by the Canada Pension Plan (CPP) each year. It defines the maximum amount on which to base contributions to the CPP. There is a history as to how this relates to private pension plans.

Before the CPP came into being in the 1960s, private pensions followed the rule of providing approximately 70% of working income as a retirement benefit: work for 35 years, earning 2% accrual per year, to receive 70% of working salary in retirement. A person in this situation earning $50,000/yr would receive a $35,000/yr retirement benefit.

Along came the CPP, which guaranteed every Canadian worker some retirement income whether they were had a private pension plan or not. The CPP paid a smaller amount, calculated to be the equivalent of about 0.6% accrual per year of service. An individual's CPP contributions stopped at a maximum contribution amount (related to the YMPE). Suddenly a worker in a private pension might receive over 70% of their working salary in retirement.

Enter the use of the YMPE in some private pensions. Recognizing that workers would receive 0.6%/year from CPP, the private pension earnings/year was reduced from 2%/yr to 1.4%/yr (or a similar value), to keep to the 70% target. Adding the two benefits (private pension plus CCP nets the worker 2% per working year.

These days you will find many private pensions that use the YMPE to counterbalance the fact that all workers receive CPP in retirement. Below the YMPE (below which all workers contribute to the CPP) the worker will often earn 1.3-1.6%/yr in a private pension, while above the YMPE (where no additional CPP funds are earned) the worker may earn 2.0%/year. You can see this in both UPP and CAAT options (in our 3rd Pension Information Release).

Q3: If the Trent pension is transferred to a new plan, what happens to the current pensioners? Who will pay them? The old plan or the new plan?

If a Trent pension plan transfers to a new plan (either OPSEU or faculty or both), the investment accumulated under the old plan will be transferred to the new plan, but everything else will continue as it did before. The investment will continue to pay retiree benefits and receive income from current employees and investment interest. Think of it like changing bank accounts, where there might be a different interest rate, but you continue to contribute and/or withdraw as you did before. The plan might change but the process of how the plan functions will remain the same.

Q4. If I retire today and the Trent plan is transferred to a new plan later, how does that work? Will I still receive 2% per year of work? Who pays me, Trent or the new plan?

Once an employee retires their retirement benefit is set according to the agreement at the time of their retirement.

Payment for current retirees comes from the Trent-managed pension plan. If we move to a new plan, payments will come from the new plan. Again, using the bank account analogy, if you are drawing income from a savings account, move your money to a new account, and continue to draw income, the money comes from the old account, then from the new account.

Q5. Is management and/or faculty looking into joining with OPSEU into a new plan too?

Faculty have been looking seriously at moving to a new plan for a while. The faculty plan is larger, with a larger deficit and larger negative impact on Trent U.'s finances.

The OPSEU plan includes management exempt employees.

For the movement to a new plan Faculty and OPSEU/Exempt will be independent of one another (even though our respective pensions are managed by the same people in the same investments at present), because each body has to decide for themselves what is best for themselves.

Q6. With the other options of leaving the Trent plan, do all plan holders (e.g., Queen's employees) have the same plan? Or, for instance, would our contributions be higher because of our pension deficit?

Everyone in a pension plan is under the same parameters, paying the same percentage of gross wage, and receiving retirement benefit that follow the same rules. Therefore, if we join a plan, we will be subject to the same parameters as every other member in the plan, regardless of where they may have moved from.

Q7. If we transfer to another plan, who carries our pension deficit, the new plan or Trent?

Yes, the new plan would carry our pension deficit. It is likely any new plan will have higher payment rates and lower retirement benefits (as we describe in release #3), which will help to eliminate that deficit.

Q8. Will our pension be indexed if we move to a new plan?

If we move to another plan, the new plan will establish the new indexation rate. Currently UPP proposes an indexation rate of 75% of CPI for the first 7 years starting 2021

Q9. What are the pension contributions (%) for management? Same as OPSEU?

Contributions to the pension plan will continue as before, with Trent and employees both contributing to the plan. Our Pension Release #1 describes the current contribution rates. These rates might change with a new plan, as described in the table 1 in Release #3.

Q10. Who is bargaining or setting terms for any new pension plan? Do we have a negotiating position within a new plan? E.g., if retirement changed from 62 to 60 how would this change and how could we affect change? Once we join a plan, how do we have a voice?

Every pension has a management structure, where a group of people make decisions regarding pension parameters. If we move to a different plan, we would no longer be bargaining with Trent University (our current pension manager) regarding these details of our pension, but instead would become a part of that pension's structure.

CAAT has a Sponsors Committee and a Board of Trustees. The Sponsors' Committee is an 8-member group, which approves Plan amendments and files actuarial valuations. Sponsors' Committee members primarily represent the interests of the groups that appoint them (members of the employee work groups and unions would have input via their union represenatives). The Sponsor Committee's focus is determining how to best balance contribution rates and benefit design.

The Board of Trustees comprises 12 individuals who oversee the Plan's operations, including risk management, investments and administration. They have a fiduciary duty to act in the best interests of the Plan and its beneficiaries. The Board of Trustees are half employer appointed and half employee appointed and are all experts in pension and financial issues.

The UPP plan is to have the same structure as CAAT i.e. a Sponsors Committee and a Board of Trustees.

Q11. Explain the table in release 3, showing pension variables for Trent, CAAT, UPP.

This was reviewed live in the meeting on February 21. We will put out a later release defining and putting into context various pension terms you would commonly encounter.

Q12. Chart: add scenarios to explain/illustrate different salary ranges (Rob/Dorothy mentioned chart #3 does just this).

Table 2 in Pension Release 3 describes four scenarios, two salary examples ($40,000/yr and $70,000/yr) and two years of service (0 years, just starting work at Trent, and 20 years). In all scenarios the worker retires from Trent with 30 years of service

We are working at developing a spreadsheet where members can enter their personal pension information (from the OPSEU pension statement) and get a comparison of retirement income from current Trent pension vs. possible CAAT and UPP pensions.

Members can also contact Human Resources and make an appointment to work through retirement planning (recommended if you are within a few years of retirement) to ensure you are on track with your financial planning.

Q13. When we have to vote, will we have lots of advance notice so we can take all information to our financial advisor and receive their input?

There will be lots of advance notice regarding any vote on a pension decision to be made by the membership.

Q 14. A member questioned why we would leave our existing plan if it was better.

The next two FAQs will address this, in part.

Q15. Why is TUFA interested in going to new plan?

TUFA is interested in moving to a new plan because:

- Their pension is much larger than ours, and because they have the same investment as us, their plan has a proportionally larger deficit problem. Their higher salaries result in larger contributions, a larger pension investment, larger retirement benefits paid out, and a correspondingly larger deficit. In 2018 Trent paid $5,925,175 in special payments to make up for the deficit, versus $3,366,495 for the OPSEU-Exempt pension.

- Their current pension parameters are not as good as OPSEU's:
    - They have no early retirement (they pay 0.5% for every month they retire before age 65, versus OPSEU members who can retire as early as age 62 without this penalty.
    - They have recently moved from a benefit accrual rate of 2% (which our OPSEU Local has) to 1.8%.

Thus, Trent has a strong motivation to move TUFA to a plan that balances deficits, and for TUFA members moving to another plan such as CAAT or UPP results in only minimal loss of pension benefits (with gains in early retirement).

Q16. Comment from Member who served on Board of Governors for two (2) terms.

She indicated that the University is invested in having any and all pension plan solvency issues removed, because it is costing them a lot of money every month. Therefore, even though our pension plan looks good now it is still a bargaining concession (from the university's point of view) and if the University wants to get rid of it, they will. We do not know what our pension plan will look like if we do try to stay with Trent.

Q17. Rob and Dorothy reiterated that they are compiling and communicating information for the Union members to make an informed decision.

Our task is to inform members, so they are aware of the situation with our pension, possible future paths forward, and how those paths affect our benefits. This will help to ensure an informed decision at the time of any vote we have regarding possible changes to our pension plan.

Members:

If you have any questions about the pension and its possible future paths, please submit your question via email to opseu@trentu.ca.