

October 12, 2005

Pension QUFACTS draft

TO: FLABU-L

RE: QUFA Pension Meeting Notice and Update on University Proposals

NOTICE OF MEETING

QUFA Pension Discussions: **Tuesday, October 18, 2005**

Meeting 1: **Noon-1:30pm, Kingston Hall, 201**

Repeat Session: **4:00pm-5:30pm, Ellis Auditorium**

note: There will be two sessions in order to accommodate as many members as possible

INTRODUCTION

Recently, there have been a number of articles in the national media about difficulties being experienced by defined benefit (minimum guarantee) pension plans. Many of the articles state that the cost of running these plans is rising.

The Queen's Pension Plan is a hybrid plan. There is both a money purchase (defined contribution) and minimum guarantee (defined benefit) component.

The University Pension Committee has approached QUFA with proposed changes that need to be considered carefully. We need to hear your views on the proposed changes.

BACKGROUND

Early in 2005, the University Pension Committee detailed proposed changes to the pension plan in a discussion paper and held public meetings to consult with plan members.

The University Pension Committee Discussion Paper is available here:

<http://www.queensu.ca/qufa/discussionpaper.pdf>

In early spring, 2005, QUFA struck an ad hoc committee to review the University Pension Committee's proposals.

The QUFA Ad Hoc Committee has met regularly with Bill Forbes (Director, Pensions and Insurance), Bill Cannon (Pension Committee), and at times Andrew Simpson (V-P Operations and Finance) and James MacKinnon (Pension Committee) to discuss the proposals. The QUFA Ad Hoc Committee consists of John Holmes, Allan Manson, Paul Young, and Colin Galinski.

In order to fully understand the impact of the proposals on our Members, QUFA retained the services of an actuary from Canadian Benefits Consulting Group, Ashley Crozier, FCIA, CFA. Mr. Crozier has been integral in drafting data requests, reviewing the Pension Committee's proposals, and analyzing data. He

has attended meetings on campus, has been consulted via conference calls over the summer, and will be at the October 18 general meeting to provide an overview of the current plan, discuss the impact of the proposed changes, and to answer members' questions.

The QUFA Ad Hoc Committee has discussed details of the proposed changes with QUFA Council and the QUFA Executive Committee. The QUFA committee has also met with other employee groups on campus, including the presidents of CUPE locals, 229, 254, and 1302, the president of QUSA, and a national representative of CUPE. From these meetings, it has become apparent that the proposed changes impact the various groups in highly differential ways.

PROPOSED CHANGES

Pension plan members with sufficient years of service retire on the defined contribution (money purchase) pension plan. In the past, a typical faculty member reaching approximately 20 years of service will retire with a money purchase pension. Those without sufficient service have their pension accounts topped up to the minimum guarantee level by the University (calculated by salary and years in the pension plan).

Lower than expected investment return projections, along with greater life expectancy of retirees, are two factors that potentially increase the cost to the University of guaranteeing minimum pensions for plan members. At the heart of the University Pension Committee's proposals is the intention to limit the University's financial liability to top up pension accounts for those in the minimum guarantee category.

The University Pension Committee has proposed the following changes. With the help of our actuary, Ashley Crozier, QUFA intends to explain the proposals and their impacts on QUFA members at the October 18 meeting.

- Four "technical" changes: six-year average; geometric average; fair market value; and, 7% backfill (pp. 7-8 of the Discussion Paper).
- Cap on the minimum guarantee component: Salaries in excess of the cap level would not be used in the calculation of minimum guarantee pensions. The proposed cap is 2 x YMPE (year's maximum pensionable earnings), or approximately \$82,000 in 2005 (pp. 6-7 of the Discussion Paper).
- Increased contributions: The University Pension Committee recommends an increase in contributions equal to 1% of salary, to be shared equally between Plan members and the University (p. 6 of the Discussion Paper).

LOOKING AHEAD

It is important to note that QUFA has a contractual veto over amendments to the Queen's Pension Plan. Although the QUFA Ad Hoc Committee has been engaged in discussions with the University Pension Committee, no formal position has been taken on any of the proposed changes.

We can assure you that any decisions regarding changes will be based on the best advice we can obtain, and after the fullest consultation with our members. QUFA's decisions will reflect what we perceive to be in the best long-term interests of our members. As well, we are concerned about potential impacts on other employee groups.

Members who have specific questions and/or whom are unable to attend the general meeting on October 18 are encouraged to contact Colin Galinski in the QUFA Office: (613) 533-3224; galinski@post.queensu.ca.

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