Pension payments and the 2015-16 Budget

On May 23rd, the electronic *Queen's Gazette Today* carried a story about the potential impact of the pension solvency deficit on the 2015-16 budget ("Pension solvency a concern in 2015-16 budget planning"). Vice-Principal Caroline Davis was subsequently interviewed for the May 30 edition of the *Queen's Gazette Today.* Neither the story nor the interview provides sufficient context to fully understand the pension issue. They also leave the impression that there are few choices available and that the timeline is very short. We discuss these issues below.

1) The May 23rd article states: "As it stands, the university is required to begin paying down the $292 million solvency deficit over a period of 10 years, beginning in 2015."

Two key aspects of this statement need to be corrected:

a) *The* University *is not required to begin payments in 2015*. On October 23rd, 2013, the Ontario government announced it would amend its regulations to allow universities and other public sector employers to begin paying off the solvency deficit three years later than previously required. For Queen's, this means it could be paid off over seven years beginning in 2018.

b) *The solvency deficit that would need to be paid off has not yet been determined:* it will be based on the actuarial valuation of the plan as of 31 August 2014. The figure of $292 million is an estimate based on the state of the plan as of 31 August 2013. Although no one can predict the state of the plan's investments and interest rates three months from now, the actual deficit based on today's figures would be considerably less than $292 million. Vice-Principal Davis recognized subsequently in her interview that the deficit can vary in the future, but her figure for the annual solvency deficit payments was still based on the August 2013 estimate.

2) The May 23rd story fails to provide the context within which this situation has arisen. While this omission was partly remedied in Vice-Principal Davis's interview, it is important to give the following background to our members here:

a) The government's purpose in requiring public sector employers to fund their solvency deficits is to give them an incentive to re-organize their pension plans, specifically by moving to 50/50 funding by employers and employees and joint sponsorship (where governance, risks, and surpluses are shared by both employers and employees). The government has said that if they do this it will consider exempting employers from making solvency payments. The purpose of the three-year extension of the start date is to give the employers and unions more time to negotiate the transition to a jointly-sponsored pension plan (JSPP).

b) For our plan, contributions and other current service costs are already funded at almost a 50/50 level. There are several ways in which a plan can move to joint sponsorship:
   i) Become part of a multi-employer plan, such as the one being developed for the university sector by the Council of Ontario Universities (COU) and the Ontario university union pension coalition (which includes USW, CUPE, OPSEU, OCUFA, Unifor, SEIU, and OSSTF). It is unlikely that such a plan will be ready by 2015 but it could be a viable option well before 2018.

   ii) Join an existing JSPP, such as the Colleges of Applied Arts and Technology (CAAT) Pension Plan. Such a merger could occur as soon as enabling legislation is passed, and it seems clear this is the Queen's administration's preferred option.

   iii) Convert the existing single-employer pension plan to a JSPP. It is uncertain, however, whether the government would grant a full solvency exemption for such a plan.

c) None of the above options can be implemented until the Ontario legislature passes enabling legislation. This legislation was part of the budget bill, which died on the order paper when the government called the recent election. The Premier has promised to recall the legislature within twenty days and reintroduce the budget.

On April 17th, the administration outlined a proposed process for reaching agreement on one of the options listed above to the unions and associations representing Queen's employees. On May 14th, the unions and associations agreed not to pursue a process to amend or merge the Queen's Pension Plan outside of collective bargaining. Because they would impact our members' present and future incomes in a vital way, any changes to our pension plan must be negotiated in the context of our total compensation and benefits packages, as well as the rest of the provisions of our agreements. This is how we successfully agreed to major changes in the Queen's Pension Plan in the 2011 round of bargaining, when we were able to assess whether the increased pension contributions were justifiable in light of the overall compensation package on offer.

The threat of solvency payments is the stick being used to force us to re-configure our pension plan. In one form or another, it is virtually certain that we will be required to do so in the near future. This is a very significant issue, which affects the budget of the University, our members' take-home pay, and their retirement security. The unions and associations representing Queen's employees are committed to working together in unity on this issue. We need to address it in a collaborative way with the administration, and find a mutually agreeable solution. While rejecting a process leading to an agreement outside of collective bargaining, we are ready to continue to meet with the administration to share information on the various options. But the ongoing discussion on pensions must be based on complete and accurate information, without artificially imposed deadlines which narrow the range of options.

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