

Salaried Pension Plan Report to MURA 2019

Human Resources issued statements in the fall of 2018, which reflected pension entitlements as at June 30, 2018. If you did NOT receive a statement by December 2018, or if you have questions about your statement, you are encouraged to contact the Human Resources Service Centre at 905-525-9140 ext. 22247.

The Salaried Pension Trust Committee was very busy this past year on your behalf. Along with the four regular meetings, I, and several other members, participated in three subcommittee meetings and one training meeting.

Early last summer, a subcommittee of the Salaried Pension Trust Committee was struck to review and restate both Salaried Pension Plans; the Original and Plan 2000. The task for this subcommittee was to incorporate seven amendments and necessary legislative changes. The final draft was completed in early September and presented to the committee of the whole later in September. The restatement was approved by the Salaried Pension Trust Committee and forwarded to the Board of Governors for approval. The restatement became effective January 1, 2019.

Human Resources Services are transitioning their website from the website at <http://www.workingatmcmaster.ca> to the new and improved website at <http://hr.mcmaster.ca>. I have done some surfing at the new website and once you get accustomed to it, it looks pretty slick. I am told the 'structure' of the new website will be identical to that of the old website.

The previous Ontario government initiated a new independent authority to improve consumer and pension plan beneficiary protections in Ontario. It is anticipated that the Financial Services Commission of Ontario (FSCO), will be replaced by the Financial Services Regulatory Authority of Ontario (FSRA) sometime this month (June 2019). The FSRA will be the merging of FSCO, the Financial Service Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). This is a significant change in the way pension governance will be done in Ontario. With FSCO, all changes had to be passed at Queen's Park to become law. The FSRA Act provides FSRA with specific rule-making authorities. This means that the rules passed by FSRA will have the force of law and the legislature need not be involved.

As you may or may not know, Actuarial Valuations on pensions must be completed at *least* once every three years. At the November 2018 meeting the Salaried Pension Trust Committee triggered an Actuarial Valuation as at July 1, 2018 for both Salaried Plans. Due to the intricacies of the new pension legislation, having this valuation done

will reduce the filing fees by \$4,000,000 over the next two years. The Salaried Pension Trust Committee believed that putting the funds into the pension was better than putting into the provincial coffers.

The Original Plan IS fully funded. However, Plan 2000 continues to not be fully funded according to the 2018 Valuation. The 2018 Actuarial Valuation was completed as at July 1, 2018 and filed in April 2019 with the Financial Services Commission of Ontario. That 2018 valuation showed a Solvency/Windup shortfall of about \$197,248,000. This compares with \$342,141,000 in the 2017 valuation. The Going Concern shortfall was \$143,420,000. This compares with \$30,781,000 in the 2017 valuation. It is interesting to note that the dollar values for Solvency/Windup and Going Concern in the 2018 valuation are similar to those of the 2014 valuation.

It should also be noted that McMaster's contribution is set at 123% in the 2018 valuation compared to 118% in the 2017 valuation. This means that McMaster will be contributing \$1.23 for every \$1 that current members will be contributing until the next valuation. Actuarial valuations must be done at least every three years by law therefore the next valuation needs to be done in 2021.

The Investment Review subcommittee, which was formed in early 2017, has completed its work. At the May 2019 meeting, the subcommittee's recommendations were presented to the Salaried Pension Trust Committee of the whole and were accepted. The recommendations were passed to the Board of Governors for approval at their June 2019 meeting.

It is anticipated that there will be a subcommittee/working group struck to review the language of the Statement of Investment Policies and Procedures (SIP&P) this summer. One of the tasks will be to better articulate the tolerance of risk as well as incorporate legislative requirements into the restated SIP&P.

Effective December 6, 2018, plan sponsors may now accept electronic beneficiary designations for any provisions under the Pension Benefit Act (Ontario) that permits said designation.

If and when the Ontario 2019 Budget Bill is passed, electronic communications will be the default method of communication. Annual statements and any other information normally provided to members can be in electronic form such as electronic mail (email). Human Resources has no intention of extending this to retirees (at this time).

Also, in the current Ontario Budget Bill, the government has proposed an amendment to the Ministry of Training, Colleges and University Act to "limit, alter or reduce to zero" any compensation payable to an individual of a post-secondary institution who: 1) is in receipt of a pension from **ANY** post-secondary institution; or 2) received a transfer value

of their pension or deferred pension related to employment with **ANY** post-secondary institution. The regulation would override any collective agreements or contracts made prior to the regulation effective date. (This is the so called “Double Dipping” legislation.)

University of Toronto, University of Guelph, and Queen’s University are proceeding to develop a Jointly Sponsored Pension Plan (JSPP) call ‘University Pension Plan (UPP) (Ontario)’ after ratification by the three Faculty Associations and United Steelworkers Union. The new pension plan is anticipated to be fully implemented and operational by July 1, 2021. Once this plan is up and running, it will be possible for other Ontario universities to join the UPP. (See <http://www.universitypension.ca> for more information)

Will we get an increase in our pension?

We have yet to see the audited accounting statements of the plans for the period July, 2018 to June 2019 and the markets are more volatile now than in recent years; it has been a real roller coaster ride!!! The pension increased in value by 1.3% from July 2018 to September 2018. From October 2018 to December 2018, it decreased in value by 6.7%. From January 2019 to March 2019, it increased in value by 8.5%. Overall, from July 2018 to March 2019 it increased by 2.7%. So far this quarter, the financial markets were slightly positive. It is not clear that this growth will continue in June when you take the events of late last week into account. When I take into account the returns of the last four years, I will say that there is a mathematical possibility we will see an increase in January 2020.