

Summary of Memorandum of Agreement with the University of Toronto regarding salary increase to offset member contribution increase

It has always been CUPE 3261's position that increases in members' pension contributions as a result of moving to the new jointly sponsored, multi-university, defined benefit University Pension Plan (UPP) should be offset by compensatory salary increases. Accordingly, we engaged in negotiations with the Administration to that end.

On February 1, 2019 we reached a settlement with the University of Toronto administration to increase staff salaries by 1.37% on July 1, 2019. This increase is separate and apart from the other across-the-board increases that are provided in our collective agreement (which come into effect on April 1 for 89 Chestnut and July 1 for everyone else).

The February 1 agreement also sets out arrangements for our Union's consent for the conversion of our current University of Toronto Pension Plan to the UPP, and makes some related changes to our collective agreement.

The full February 1 Memorandum of Agreement (MoA) can be accessed at 3261.cupe.ca.

A summary of its terms is below:

- The MoA and its 1.37% salary increase are dependent upon the Union providing its consent to the UPP. And that consent will only be provided if a majority of voting members cast ballots in favour of the UPP in the upcoming ratification vote.
- If that majority vote does take place, the Union will then provide its consent to our transition to the new UPP, and Local 3261 members shall become "contingent members" of the UPP effective either January 1, 2020 or on the UPP's inception date if it is later than January 1, 2020.
- Members' pension service will continue to accrue under the University of Toronto Pension Plan until the actual conversion date of that current pension plan into the UPP (estimated to be July 1, 2021).
- On that conversion date, UPP contingent members will start to accrue service in the new UPP as "UPP contributing members."
- Staff who join the current pension plan on or after January 1, 2020, but before the UPP conversion date, will also be UPP contingent members.
- Employees who are not members of the current pension plan as of the UPP conversion date will become "UPP contributing members" as of that conversion date (estimated to be July 1, 2021).
- As of July 1, 2019, member contributions to the current pension plan will increase from 7.7% to 9.2% of pensionable salary, up to the CPP maximum salary (also known as the YMPE). For pensionable salary over the CPP maximum, contributions will increase from 9.5% to 11.5%.
- On the date that members' pension accrual begins under the UPP, the university's pension contributions shall be set at 9.2% of pensionable salary up to the CPP maximum (YMPE) and 11.5% above the CPP maximum (YMPE). This will mean that plan members and the university are contributing at a 50/50 split.

- Effective July 1, 2019, all member salaries will be increased by 1.37% (not compounded with the separate 2% across the board increases that will also take place as per the terms of our current collective agreements on April 1 for 89 Chestnut and July 1 for everyone else)
- The pensionable earnings limit for member contributions for 2019 (also known as the salary cap) will be \$165,000, increased by the percentage increase in the *Income Tax Act* pension limit in 2019. For pension benefit calculation purposes, the highest average earnings will be capped at the level at which the *Income Tax Act* maximum is reached in the year of retirement or any earlier termination of employment status. No members of CUPE 3261 receive salaries in excess of this limit, so our members are not affected by this change.
- The current pension plan has a provision for “first-year indexing” to pensions in pay. However, such a provision is in fact prohibited by the *Income Tax Act*. Accordingly, as a housekeeping matter that would be required whether or not our current pension plan converts to the UPP, the first-year indexing provision will be removed from the current plan, and members retiring under the current plan as of June 30, 2019 will not have their pensions adjusted for the first-year indexing on July 1, 2019 except to the extent, if any, required by law. The impact of this change on members’ pensions will be nominal.
- If you leave the university, there are options in the current plan regarding what to do with your pension. One option allows members, who are eligible to receive the commuted value of their pension, to receive termination benefits equal to two times their employee contributions. Because the commuted value of one’s pension benefits mandated under minimum pension standards legislation is greater than two times one’s contributions option, this “two times” option will be removed from the current plan effective July 1, 2019. The financial impact of this change on members will be zero.
- The conversion of the current University of Toronto Pension Plan into the UPP will require amendments to our collective agreement, because member interests in a jointly sponsored pension plan are represented via the shared governance structure of such plans and not via collective bargaining. So, as of the conversion date, references in our collective agreement to the current pension plan will be removed, and the new pension plan will no longer be the subject of the grievance and arbitration procedures in the collective agreement.
- In the event that the UPP is not formed for a reason other than a lack of consent by our Union, our salaries and pension contributions will increase by the amounts set out in this MoA in respect of the current University of Toronto Pension Plan.

In the upcoming ratification vote, you are voting on BOTH the formation of the UPP AND the accompanying MoA, which sets out the terms and conditions for the conversion of the existing pension plan to the UPP – including the offsetting salary increase of 1.37%.

A YES vote means that you CONSENT to the conversion of the existing pension plan to the UPP and the adoption of MOA with its 1.37% salary increase.

A NO vote means that you REJECT the conversion of the existing pension plan to the UPP and the accompanying MOA with its 1.37% salary increase.

The CUPE 3261 Executive unanimously recommends a YES vote