

The following text is from the minutes of the April 15, 2008 Annual General Meeting (AGM) of UTFA members. These minutes were approved at the April 14, 2009 AGM meeting

ii. Pension Governance – Update on Discussions

G. Luste said that it is unfortunate that most people don't think about their pension until they are nearing retirement. By that time it is often too late to reverse accumulated problems. As part of the last round of Salary, Benefits and Pensions negotiations UTFA and the U of T agreed to form four joint working groups, one of which was the Joint Working Group on Pension Plan Governance and Funding. Martin Teplitsky, the mediator/arbitrator, remains seized only on this issue. If the two parties fail to reach unanimous agreement he will mediate/arbitrate on the pension governance issue (not the funding issue). The working group has one year to reach a unanimous agreement.

The working group had several meetings and general principles were agreed upon. UTFA's general principles are that:

- The cornerstone of a pension governance process is that it must recognize, reflect and facilitate the discharge of fiduciary duty. This requires that plan members and their interests be brought to bear on key decisions and thus be part of the decision-making process.
- Pension plans must represent the beneficiaries and no one else.
- They must be free from any suspicion of conflict of interest.
- They have to be autonomous institutions.
- They must be accountable.
- They must be able to communicate with their constituents – the people for whom they are trustees.

At these meetings the working group discussed how the employer has its own financial issues as the governor of the pension plan and how it was left up to the Business Board to make decisions about the money in the pension plan along with their other responsibilities.

UTFA's representatives on this committee are George Luste (co-chair), Laurence Booth and Jun Nogami. The representatives for the U of T are Vice-President Angela Hildyard (co-chair), Catherine Riggall and Sheila Brown. Both sides have also brought in pension lawyers and actuaries to assist.

Initial and specific proposals made by UTFA at the Working Group are:

- That the pension plan assets for faculty and librarians be separated from the current plan. Faculty and librarians represent a well-defined interest group that negotiates its own terms separately from the 20 or so unions that are also in the current plan. And while faculty and librarians represent about 65% of the dollars, or current pension assets and

liabilities, they only represent about 35% of the members of the current plan. At other major universities, like UBC, the faculty and librarians have their own plan and governance.

- That a new and distinct 'Faculty Pension Plan Board' be created with oversight for investments, administration and communication. This Board would have the sole fiduciary duty to represent the best interests of the pension plan members.
- That at least two and preferably three of the members of this Board be faculty and librarians appointed by UTFA. The preferred size of the Board would be seven members and thus the majority of the Board appointments would still come via the Business Board and Governing Council. Given the legacy liabilities in the current plan this is appropriate.
- That initially, to minimize any transition difficulties, UTAM be retained as investment manager and UofT HR and Hewitt as plan administrators.

At this time the Business Board decides on policy and procedures, UTAM carries out the investments, and Human Resources looks after the administration by sending out statements, etc. The members of the pension plan have little or no say in the governance of their pension assets. UTFA's proposal of having a new and distinct Faculty Pension Plan Board would allow UTFA to have pension plan members, both active faculty and retired faculty, sit on the independent board. The pension plan has legacy problems as a result of unilateral past decisions by the Administration and UTFA should not have to shoulder these legacy problems. The Administration should be responsible for what took place in the past and UTFA believes that UTFA's new proposed changes would be on a go forward basis. The present representation on Business Board does include a few faculty but the vast majority of members are not faculty and do not represent our interests.

G. Luste said that whatever is mediated by Teplitsky has to be approved by UTFA Council. Not so if it is arbitrated. He said that the objectives simple and obvious and he could not see why the pension plan is not being governed by both the plan sponsor as well as the beneficiaries of the plan.

The members discussed what would happen if unanimous agreement could not be reached with the U of T. G. Luste said that he believed that if both sides thought it constructive to extend the time limit they could agree to do so.

A member said that he heard that the U of T has a policy that states that someone who reaches retirement age and withdraws their pension cannot be employed by the U of T under contract or any other arrangement, and wondered if that was true. G. Luste said that if you continue employment with the U of T past the age of 65 and put money into the pension plan, you cannot take that money out, and you have to keep contributing to age 71. If you retired at 65 and a year later you are hired back, they can pay you and you can receive a pension. However, from age 65 to 71 if you have continuous employment you cannot get both a salary and your pension.

A member commented on how the Administration and the faculty view the pension plan differently. Faculty and librarians view it as an earned right and the Administration views it as part of their financial budget..

G. Luste said that all of the pension money at the U of T is in one pool. When we negotiated the new retirement package, we agreed that if people want to work past 65 that they would take a slight actuarial hit and if they retire early they have a slight actuarial benefit.. This is only possible because we have a common pool of money

A member asked about the community of interest and why UTFA felt that it was to our disadvantage to be in a larger group for the pension plan. When it comes to health benefits there is usually an advantage if there is a larger group of people in the pool. Why would it be a disadvantage to continue to be in the same pool of money for the pension plan with the other members of the University?

G. Luste said that UTFA can only speak for its members. It cannot say or dictate to other groups, like USW. Different groups have different priorities as to what they want from the pension plan. UTFA's number one priority is that people who receive pensions not lose to inflation. Other groups do not seem to have that concern. Staff wants to increase the lower deck benefit. Faculty members often want to work beyond 65..

The members discussed the pros and cons of keeping UTFA's members' money in the same pension plan as the rest of the University. It was suggested that reducing the amount of money in the one plan would not benefit UTFA members and moving in that direction may not be the best way to proceed.

G. Luste said that UTFA is recommending that UTFA have between two and seven members on the new board. UTAM's Board of Directors has ten or eleven people and most are financiers and friends of the University. He does not believe that they represent the members of the plan. UTAM has put millions into hedge funds and a lot of those funds are doing poorly and we want to be present for the debate when decisions are being made.

G. Luste invited members to visit him at UTFA if they would like to discuss the pension plan further.