



Vice-President (Administration and Finance)

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August 16, 2018

The Honourable Al Hawkins
Minister of Advanced Education, Skills and Labour
West Block, Confederation Building
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Hawkins:

RE: Memorial University Pension Plan Reform Agreement

On behalf of the University and pension plan members, we are pleased to provide you with a draft Reform Agreement for the Memorial University Pension Plan (the "Plan") as negotiated between Memorial University of Newfoundland and its major union groups (CUPE, Local 1615, MUNFA, NAPE).

The key provisions of this framework agreement include:

- Joint sponsorship of the Plan by the University and the collective Unions, effective January 1, 2019;
- Sponsor Body/Board of Trustees structure;
- Transitional pension administrative and investment service to be carried out by the University, with option to continue;
- Development of a funding policy;
- Full payment of unfunded liability on conversion to joint sponsorship, other than past indexing, which is funded by matching special contributions that will continue;
- Protection of accrued benefits and retiree benefits;
- Minimum funding objective of 100% with longer term target of 110%;
- Contribution rate increase of 1% matched in three years as a funding reserve, subject to funded status;
- Equal sharing of deficits and surpluses; and
- Removal of the Plan text from legislation and granting of certain PBA exemptions reflecting joint sponsorship, including exemption from solvency funding requirements.

As you may know, joint discussions between the parties have been ongoing since December 2017 and significant progress has been made on the proposed terms of joint sponsorship. This includes completion of the enclosed draft Pension Plan Reform Agreement and substantial completion of work on a Joint Sponsorship Agreement and Funding Policy.

The discussions were initiated following a June 13, 2016, letter from Minister Gerry Byrne stating that the Government was prepared to provide a permanent exemption from solvency funding provided that the University establish "joint ownership" of the plan by the University and its employees, similar to what was done for the Public Service Pension Plan and the Teachers' Pension Plan. In response, the University Pensions Committee, which consists of representatives from the University and employee groups,

established an Ad Hoc Subcommittee in June 2016 to review issues associated with joint sponsorship. Recommendations on Guiding Principles, including University responsibility for the initial unfunded liability of the Plan, were subsequently agreed upon and approved by the Committee in July 2017.

The proposed transaction is contingent on Government approval, and reform of the Memorial University Pension Act. Certain exemptions from the Pension Benefits Act would also be required. As well, an overarching precondition to joint sponsorship is the elimination of the Plan's unfunded liability. The University had previously considered options to settle the unfunded liability and sought Government's approval of a proposed option on September 13, 2017. In a letter dated November 21, 2017, we were advised that Cabinet had directed the University to consider other options and requested a specific proposal by March 31, 2018. The University provided updates on its progress on March 26, 2018, and again on April 24, 2018.

While much progress has been made, we are, however, at a point in our negotiations where prior to moving forward, a meeting between Government, the University and the Unions is necessary to discuss key and critical issues that need to be resolved before entering into an agreement on joint sponsorship. Among these issues are settlement of the unfunded liability, the legislative nature of the Plan and certain exemptions from pension standards legislation (PBA).

We are cognizant of the time and effort that would be required at the legislative and regulatory levels of Government to enable pension plan reform and indeed there is still work to be done by the proposed Plan sponsors. We are concerned that without input from Government on the process, achieving joint sponsorship within the current fiscal year would be placed in jeopardy. We therefore request that a joint meeting between Government, University officials and Union representatives be arranged as soon as possible in the coming weeks. We understand that Government officials will be contacting the Plan's actuary, Eckler Limited, to discuss the Plan and we would also reiterate a previous offer to meet with Eckler, if desired.

We look forward to your earliest reply.

Sincerely,

Kent Decker

Enclosure

c: Theresa Antle, CUPE, 1615
 Bert Blundon, NAPE
 Robin Whitaker, MUNFA
 The Honourable Tom Osborne, Minister of Finance
 Ms. Genevieve Dooling, Deputy Minister
 Ms. Candace Ennis-Williams, Assistant Deputy Minister
 Ms. Iris Petten, Chair of the Board of Regents
 Dr. Gary Kachanoski, President and Vice-Chancellor